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appy new year?

EVEN AS THE world turned its back on 1974 without regret, it could have had no sense of relief. The year that was s bad in many ways for a great number of countries including ours, but the new ar could be still worse. In some major national economies there is indeed talk of owth picking up around the middle of this year, but it is doubtful that more than a ry few of them are in a position to make good on this promise. Even in the case these possible exceptions the impact of larger world events might well frustrate the ntributions of individual national self-discipline or enterprise.

For instance, while it is largely true that West Germany and Japan may be able to abilize their economies and move out of the slumpflation syndrome in the second quar- er of this year provided no grave disturbances take place in international trade, the dds are perhaps less than even against a crisis of that kind developing in world economic tivity. Currently grave concern is felt about the immediate future of the Italian and itish economies while many observers feel that the French economy too is faced with n increasingly disquieting question mark. What however would decide the issue is hether forecasts of the American economy, currently predicting that its course ight be set on a more even keel at least in the second half of this year, are borne out y facts. At the top levels of economic policy-making in Washington, it has still to be ecided whether it is inflation which is to be treated as the public enemy number one of e national economy, or whether it is recession that has to be cast in that role. Much ould depend on a decision not being delayed and even much more on its being one hich is proved to be more right than wrong.

In this context it would be irresponsible on our part to be in any way dogmatic bout economic recovery in our country. The safest thing would be to predicate an xternal environment more unfavourable than favourable and, having done so, to pro- eed to ensure that our own economic policies do not aggravate our difficulties or accen- uate our problems. This would seem to imply that our country is more likely to be on sound course than on one which is unsound if the management of its economic affairs orientated more towards an increase in its current production as well as an improve- ent in its investment situation in the more or less immediate future. The government paying at least lip sympathy to the cause of an all-out drive to increase agricultural production, but even such a theoretical commitment is still largely lacking where industry is concerned. This has been brought out clearly by the attitude struck by the ministers who addressed the meeting of the Advisory Council on Trade held in New Delhi last week. These spokesmen of the government who are in charge of important economic ministries still seem to persist in the immature attitude that an incresase in production has to be specifically thought of only in terms of exports. An approach of his kind might be relevant to the situation in Singapore or Hong Kong, or even in Japan which is excessively dependent on imports of oil and raw materials, but is considerably unaligned to the realities of an economy such as ours which has to resolve its problems essentially in the light of its imperatives of mass domestic consumption and mass domestic employment.

Viewed in this manner, the enthusiasm of Messrs Pai, Chattopadhyaya and company for showing special consideration to the expansion of production for exports is clearly less than adequate for the purposes of a comprehensive policy for stabilizing the country's economy or securing its sufficient expansion. There is in fact a great deal that is clearly absurd in ministerial suggestions that the optimum utilization of existing capacity in industry or the growth of investment and production activities of the larger enterprises should be allowed or assisted only in terms of the needs of production for exports. In practical as well as philosophical terms this attitude is unsustainable and is bound to end up in fringe activities of no substantial significance for the country's problems of employment or economic growth. May be that the government believes that it is politically more prudent to relate the liberalization of the government's economic policies to the non-controversial issue of the urgency and paramount importance of export promotion, but surely these are times when economic statesmanship rather than self-regarding political expediency is called for.

Opulent have problems

THE SHIFTS in the balance of payment positions of the developed and developing countries, following the continuing accumulation of surpluses with oil rich nations, have given rise to an unprecedented situation in the world economy. It is now becoming abunduntly clear that the lopsided development of the western countries and the promotion of a high level of trade between themselves is proving to be harmful even for the opulent nations. There was no serious criticism when huge reserves were being accumulated by western Europe and Japan as the oil producers were building up only small surpluses. The fast growth of industrial development in the west generated a larger demand for tropical products and other raw materials. But with the increase in the value of exports of tropical products and other raw materials of the developing countries was not in proportion to the rise in prices for manufactured goods.

The deterioration in the terms of trade of developing countries helped the rapid accumulation of reserves with the western countries. The USA and the UK however did not benefit to the same extent as the phenomenal rate of industrial growth and high level of foreign aid in the case of the former and an unstable foundation of the economy of the latter could not help these countries to derive the same advantage as the west European counterparts secured in the past decade. But the increase in the volume of overseas investments of US companies was taking place spectacularly with the result that the wealth of USA inside and outside the country grew steadily. Thus. even serious balance of payment deficits in the past few years and large outflow of gold at official prices, did not affect the US economy severely.

This process of regular increase in reserves of the developed countries has however been rudely disrupted by the inordinate hike in oil prices. The gaping deficits of many industrialised countries whose economies were considered invulnerable until recently have compelled the institution of measures which have far-reaching effects on the world economy and the direction and volume of international trade. There were rumblings of worldwide recession even in the third quarter of 1974. But the recession had actually set in the closing weeks of the year in the automobile industry in USA, west Europe and Japan.

The greatest casualty of the oil crisis is the automobile industry and in nearly 50 per cent of its assembly plants, Ford of USA has laid off workers and production is not expected to be resumed again until the end of January. Even if these units reopened, the rate of output will be very much lower than that of early 1974 or the latter half of 1973. The slump in production of new cars and commercial vehicles will have serious repercussions on the ancillary industries. It is unlikely that the major producers of automobiles will get the required relief as economic experts in the USA and the UK have been demanding that the consumption of petroleum products has to be discouraged, if the balance of payment deficits are to be reduced or eliminated. There has already been a reduction in the consumption of petroleum products in the USA by three per cent in a year with voluntary restraints. But this drop is not considered adequate and the USA is determined to implement its Project Independence for eliminating dependence on west Asian oil and safeguarding the security of the nation.

Eastern Economist wishes its readers a happy New Year

The imbalance in the balance of payments of Italy, Japan, France the UK and many other countries has become so fundamental that the governments concerned are not prepared to allow a dip in reserves even for short periods. The immediate difficulties are being overcome with the recycling of oil surpluses of rich nations which are also having a serious problem of disposing of satisfactorily these surpluses. Important countries like Iran, Saudi Arabia and Kuwait are proposing to spend larger amounts on the development of their regions and increasing also imports of consumer goods. Many schemes have been devised by Saudi Arabia for providing education, electricity, liberal loans for house construction and other schemes. But the surpluses are accumulating so fast that even lending in blocks to Britain or other countries for overcoming their deficits, the grant of credits to the Internationa Monetary Fund, the acquisition of new interests in industrial units, or advance payments to countries like France against contracts for the supply of armaments have not helped the full absorption o current surpluses and it has been reported that huge sums have been held b American banks as short-term deposits. These institutions are also unable t decide how the funds should be utilise and with what certainty their redeployment can be attempted.

There are proposals for the formatio of special institutions for extending lon term credits to developing countries, n necessarily on a government-to-govern ment basis, and taking advantage of th opportnnity to raise the level of activit for reducing trade gaps and maintainin world business at a high level. The ne institutions, however, are unsure abo the extent of risks that can be undertake on the basis of short term funds of th oil rich nations seeking refuge in indu trialised countries. A definite view ca obviously be taken only in the light fresh developments though there is n denying the fact that the surpluses ha somehow to be employed and the we has temporarily to reduce its gold r serves and adopt other restrictive me sures.

There will probably have to be mixture of these two approaches as a drastic attempt to correct the balance payment deficits through negative me sures will have a serious impact on t internal economies as is happening n in the USA. For Britain and Italy, it becoming clear that trading in differenc based on imports can upset seriously t calculations of the Treasury or the Boa of Trade. It will be unwise to attem any drastic solutions even while maki rts to negotiate with the major oil ducers for a significant reduction he cost of crude. The US Treasury's ision to sell two million ounces of gold of its reserves through public auction order to meet the needs of its citizens terms of bullion, with the lifting of ban on the possession of gold, has en rise to a major question about what ners will do with their gold reserves. policy or reflation will be attempted nerally but not necessarily in concert.

The release of two million ounces gold represents only one per cent of e total reserves held by the US Treasury d what is now happening is only a ansfer of a tiny part of these reserves om the custody of the administration the individual, with the former making significant profit in the process. There ill easily be a gain of $125 per ounce the London and New York rates did ot decline to below $170 immediately llowing the announcement. (Actually, ter the initial flurry there was a rally nd the new moves of others are awaited y major bullion dealers.) The gain of 500 millions to the US Treasury may ot be significant when its total needs re much larger and the balance of payment deficits is running at a annual rate of even billion dollars. What immediately is the advantage is the prevention of mports of gold to satisfy the requirements of US citizens.

However, the US move may encourage the adoption of similar procedures for other purposes. In fact, something of this kind has happened even earlier with West Germany giving some assistance to Italy on the basis of the latter's gold reserves. It has been roughly estimated that the Big Ten and Switzerland had gold reserves of $43 billion at the end of 1973 on the basis of the official price and the appreciation in value of its holdings by nearly $150 billion can help the holders to overcome the balance of payment gaps for about two years without deteriorating the standard of living of the population of the countries concerned or drastically lowering the level of economic activity. The actual decline in reserves may not be of the dimensions indicated and also the time gained will be utilised for switching over to other forms of energy or discovering new oil reserves.

The above approach however may not result in any rectification of basic imbalances and what will happen is only the transfer of old surpluses from the industrialised countries to the oil-rich nations and the problems of recycling will still arise. The industrialised countries will of course be in a better position to negotiate with the oil-rich nations and it may even eventually happen that the recycling of the surpluses of the oil producers will result in a new kind of activity for catering for the needs of the third world. The oil rich nations too may have second thoughs about their pricing policies and there may be a deposition to take a total view which will be helpful to them and the consumers.

The main difficulty has arisen only because high level trading has been taking place mainly among the industrialised nations and the gradual devitalising effect the slow accumulation of surpluses of the western nations had on the developing countries has not been noticed. With the oil crisis, both the developed and developing countries in deficit in respect of oil requirements, are seriously hurt and as stated earlier there will have to be a better understanding of new problems and greater preparedness of affluent nations to bring about a better balance in international trade and economic activity in the world as a whole.

The latest reports however indicate that the oil-rich nations are disposed to take more serious note of the difficulties created by the undue rise in oil prices and some genuine efforts may be made to overcome the difficulties encountered in maintaining international trade at a high level. Some important developments may thus take place in the first half of 1975 which might facilitate the refixation of exchange parities of important currencies more firmly and also define more clearly the role of gold as a monetary medium.

Truth about jute prices

THE PROBLEM of ensuring a fair price to jute growers has once again been engaging the serious attention of the government of India as well as of the state governments in the eastern region. The union Commerce ministry has come in for considerable criticism in parliament and outside for its alleged failure to safeguard effectively the interests of the growers. Prof. Chattopadhyaya, the Commerce minister, told the Rajya Sabha on November 27, that though there had been some decline in prices they had not fallen below the minimum support price of Rs. 125 per quintal fixed by the government on the basis of the recommendations of the Agricultural Prices Commission. He added that the decline in prices could not be described as sharp and that the government had recieved no reports of distress sales. On December 4, the Commerce minister assured the Lok Sabha that the government was fully aware of the problem of the jute growers and that steps had been taken "to release them from the hands of middlemen". He also said that the Jute Corporation would ultimately take over the entire jute trade and that, with the active assistance of the cooperative structure, it would purchase jute directly from the grower and protect his interest.

But when the Jute Corporation is severely handicapped due to various factors how does the minister expect it to take more and heavier responsibilities and make a success of the scheme? The corporation was set up in 1971 for handling the export, import and internal marketing of jute. The Commerce ministry claimed in its last annual report that the corporation had been able to create "an effective impact on the price of raw jute and maintain it throughout above the minimum statutory level". However, the corporation's activities in recent months have been seriously affected due to lack of sufficient financial resources, administrative deficiencies, and failure of the state governments concerned to extend proper cooperation to it. The corporation has also not succeeded in enlisting the active support of the jute trade and industry. Last year it opened 30 direct purchase centres and purchased about 700,000 bales of raw jute. This year it had planned to buy about a third of the total crop which was expected to be of the order of 7.5 million bales. This target was lowered to 1.5 millions bales when it was known that the crop would not be more than 4.5 million bales. However, the actual purchase in the five months ended November this year was only about 400,000 bales and it is estimated that the total would not exceed 600,000 bales during the year.

The denial of adequate credit to the corporation has seriously affected its operations. The corporation had asked for a credit of Rs 40 crores from the Reserve Bank against Rs 20 crores that was available last year. But the Reserve Bank has fixed a ceiling of only Rs 18 crores. Prof. Chattopadhyaya told the Lok Sabha on December 4 that his ministry was continuing to pursuade the Reserve Bank to increase the bank credit ceiling to the Jute Corporation and also to locat additional bank credit that might be available from the commercial banks. But will the Reserve bank agree ? Its survey are reported to have shown that jute prices have not gone below the floor price fixed by the Agricultural Prices Commission. Moreover, the Reserve Bank has directed the commercial banks to restrict credit to the public sector trading organisation. In his letter to the banks issued towards the end of October this year while announcing the new credit policy, Mr Jagannathan, governor of the Reserve Bank, clarified that in the public sector, working capital requirements of manufacturing units for expanding production would receive prior consideration but trading operations such as those of the Cotton Corporation and Jute Corporation could be provided for "only to a limited extent". In the light of this statement, it remains to be seen to what extent the Commerce ministry will be able to persuade the Reserve Bank and the commercial banks to provide more credit to the Jute Corporation.

But how did the Commerce ministry allow the corporation to expand its staff and increase its expenditure without making certain about the availability of sufficient credit? The corporation at present has a total staff strength of nearly 1,000 persons and its monthly establishment expenses exceed one million rupees of which Rs 800.000 account for wages. This is perhaps in keeping with the pattern of many other public sector corporations whose staff strength bears hardly any relation to the actual volume of work involved. But in the case of the Jute Corporation its high overhead costs affect the price of raw jute. The present overhead cost of the corporation works out to about four rupees per maund which makes it uneconomical for the jute industry to purchase fibre from it.

The financial difficulties of the jute mills have added to the problems of the corporation which is due to receive over Rs 150 million from them. Year after year, the mills have complained about the inadequate availability of credit. In December 1973 the Indian Jute Mills Association said that the total bank credit granted to the industry was of the order of Rs 950 million made up of Rs 500 million against finished goods and stores and Rs 450 million against raw jute stocks, which was grossly insufficient compared to the annual turnover of the industry which was valued at about Rs 3,750 million and the volume of the jute crop valued at Rs 2,250 million. The Association pointed out that notwithstanding "the denial of the sorely-needed financial assistance", mills on their own had gone all-out to buy jute through contracts which helped to stabilise the Calcutta market as well as the agencies. The chairman of the Indian Jute Mills Association said in April this year that "the joint effort of the Jute Corporation of India and the industry for implementing the purchase programme of raw jute in the current season is without parallel in the annals of any industry in this country". Nevertheless, Prof. Chattopadhyaya said in the Rajya Sabha recently that the jute industry had not taken any interest in the plight of the growers and that it had behaved "in an irresposible way". This criticism is hardly justified in view of the country's past record and the efforts it is making to improve the production and productivity of raw jute through a five year plan drawn up jointly by the Jute Industry's Research Association and the Commerce ministry.

In April this year Prof. Chattopadhyaya held a meeting in Calcutta to review the jute prices, at which were present the ministers of Agriculture and Cooperation from all the jute producing states, representatives of the trade unions and growers as well as of the Jute Corporation. At this meeting West Bengal's Agriculture minister pointed out that the minimum cost of production of jute was Rs. 168 a quintal and suggested that the support price for raw jute at the primary market should be fixed at around Rs 200 a quintal while the representatives of the trade unions and the growers wanted it to be fixed at between Rs 190 and Rs 250. Complaints were also made at this meeting that the Jute Corporation purchased raw jute from growers at much below the fixed prices and that it often arrived in the field rather late. It is not clear on what basis these figures have been worked out. But the fact that the Reserve Bank's studies and the data collected by the Commerce ministry do not show any evidence of distress sales seems to reveal that the prices are not as low as made out by the critics of the government's jute policy. It is also relevant to note that the index number of wholesale prices of raw jute (1961-62=100) went up from an average of 144 in 1969-70 to 181 in September, 1974.

Prof. Chattopadhyaya admitted in the Lok Sabha that it was important to keep the prices of Indian jute good competitive. He said that while considering remunerative prices to the gr wers, the government had to take int account their impact on the ultimat products of the industry. He said, "We cannot afford to undermine the competitiveness of our jute production especially in the context of the fact that the expected increase in crude prices, has not come about". He disclosed that because of the uncompetitive prices, ere had been a substantial decline in e demand for products like carpet acking. While therefore the interests f growers have to be protected and promoted by offering them a fair price no less important is the need to refrain from measures which will inflate the industry's cost of production.

Dry farming in Rajasthan

HE MONSOON of 1974 was rather unkind o Rajasthan as it was to several other tates in the country. It has been estiated that the rainfall was less than half f the normal in eight western districts f the state. In the remaining 18 districts lso it was nearly 25 per cent below the ormal. Besides, the periodicity and pread of rainfall were unfavourable for he kharif crop. Consequently, the state aced a serious situation caused by rought and scarcity and it approached he centre for relief through labour ntensive works and acceleration of chemes in agriculture, irrigation and ower sectors.

This failure in agriculture due to lack of rainfall makes its essential that the tate goes in a big way for a programme of dry land farming through soil conservation. Unfortunately Rajasthan has eglected this aspect of agriculture. It s only the fifth five-year Plan that proposes to improve and strengthen the apability of the department of Agriculure to survey and design projects cientifically, as well as to attract bank unds for soil conservation works. The soil conservation programme is to be taken up during the year 1975-76 over n area of 40,000 hectares and a sum of ix lakh rupees proposed to meet the ubsidy component of the programme. An additional provision of two lakh rupees is also being made to take up a y schemes through the assistance to gricultural Refinance Corporation. onsidering the gross cropped area of e state at around 16.7 million hectares, out of which the area under irrigation s around 2.7 million hectares, the proposed area for soil conservation is grossly insignificant.

Dry land farming has been successfully taken up in arid regions of the world during the last 30 years and the programme is largely based on moisture conservation and moisture utilisation in semi-arid regions which have near marginal levels of soil moisture. With proper dry land farming techniques ever drought years can yield sufficient returns to cover the cost of production and make the area self-sufficient. But the technique requires a package of practices to prevent crop failures.

The broad strategy of dry land farming requires conservation of water and prevention of its run off. This is achieved by creating a surface condition that holds water until it has had time to infiltrate. This can be done by mechanical and biological means. To prevent surface run-off, construction of contour bunds is necessary. This practice also prevents soil erosion and causes silting of catchment basins. It has been estimated that in semi-arid regions in this country contour bunding alone can raise crop yields by at least 25 per cent.

The provision of a mulch cover is another essential element of dry land farming. Crop refuse has to be left on the fields, preferably standing. A trash mulch cover slows down air movement at the soil surface, thereby reducing the evaporation of moisture. The provision of mulch cover, however, does not permit the cutting of crop refuse for animal feed.

It may be added that the crops which are fast maturing, deep rooted and have an ability to withstand low moisture conditions have to be selected for dry land farming. Crops such as jowar, bajra, oilseeds, fast maturing varieties of cotton and fast maturing pulses are suitable for cultivation. Dry land farming also requires judicious use of fertilizers because farm yard manure, which provides mainly nitrogen and potash, is of little value in semi-arid tropical soils. Fertilizer use has to be carefully related to water availability and a relatively lower than normal quantity is used.

Rajasthan's soils are subject to very heavy moisture loss by evaporation, and run off which not only results in the loss of water and good top soil, but also the loss of valuable soil nutrients. Measures to conserve soil, therefore, are significant. The strategy might vary in different areas of the state depending upon the type of land. Canal command areas, for instance, will involve primarily land levelling operations and the lining of water channels. In the semi-arid regions the programme will require the construction of contour bunds to hold water on the surface. In hill and ravine areas graded contour bunds will be necessary.

Soil and moisture conservation during the last few years has mainly been undertaken in the state on rain-fed lands, chiefly through funds provided for distress relief. Such programme envisaged a subsidy component and the landowners were expected to meet part of the cost. The soil conservation programme, therefore, has had only a limited coverage. Lack of capacity in the district organisations to undertake topographical surveys and execute physical works on a scientific basis was therefore evident.

It may also be pointed out that soil conservation has essentially been left to be taken up under special provisions made for development of backward areas, under drought prone area programme or under centrally sponsored schemes. For instance, soil conservation and topographical survey of potential areas are to be initiated under the development of backward areas in the districts of Jodhpur, Nagour, Jaisalmer, Barmer, Bikaner Churu, Dungarpur and Banswara. Similarly the drought prone area programmes include a programme of dry farming which will be initiated in potential districts. Soil conservation work is also to be undertaken under centrally sponsored schemes in river valleys of Chambal, Dantiwara and Kadana. It may, however, be stressed that such fragmented operations of this important programme cannot achieve rapid results. Under the present circumstances, it is evident that Rajasthan should provide high priority to dry land farming and it should be taken up earnestly during the fifth five-year Plan.

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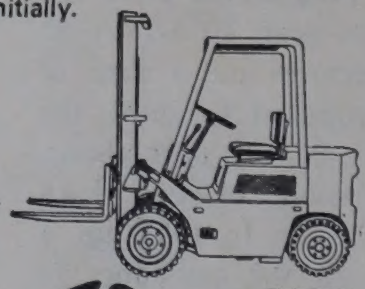

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Energy: problems and prospects

K. K. Birla

> Text of the speech made at the Conference on Energy held on December 18, 1974, in New Delhi.

WE ARE meeting under the lengthening shadow of what has come to be called the "World Energy Crisis". In our own country, however, we have been living with power crisis for more than three years now. We have been plagued by paucity of power in different parts of the country including coal-belt areas. One can understand the break-down of hydro-electric plants following failure of rains, but it passes my understanding as to why thermal plants should not run to their full capacity! Sometimes we hear that the problem arises because of the break-down in transport. The lack of balance between coal supplies and wagon availability has been with us for too long. When we have wagons, we do not seem to have coal. When we have coal, there is shortage of wagons. There is considerable truth in the criticism that our power planning has been defective, installation of power generating capacity well below targets, operation of these plants and their maintenance so unsatisfactory as to bring down plant utilisation to less than 50 per cent.

efficient plants

My point gains both relevance and significance in terms of experience. There are specific instances to show that under better management, a number of power plants are working efficiently. I am sure that the chairmen of the electricity boards who are present here will bear out my proposition. They must be having their own difficulties in implementing effective measures or for that matter in normal running of their plants. I feel that if we exchange our thoughts freely and frankly and appreciate each other's difficulties, a way can be found to resolve them to the benefit of the nation.

Power generation is a public utility. It is unfortunate that many state electricity boards are not financially well off and they have to depend heavily on borrowings from the state governments. My suggestion is that these boards should be converted into power corporations with greater autonomy in their working and with wider sources of funds to finance their development projects by borrowing from public and financial institutions. In one sense the problem reduces itself to one of management. If government feels that such management expertise as has been developed in the private sector would be useful, I may assure that our services will be willingly offered.

The international oil crisis and the hike in oil prices have added another dimension to our energy problem. The cost at which imported crude oil will be available to meet our growing energy requirements has upset our foreign exchange budgeting and has necessitated adjustments in using various sources of energy supply. Thus, there would be fundamental problems of energy availability in the years to come unless steps are taken immediately to increase energy supplies, rationalise consumption and lay plans for effective utilisation of domestic resources.

significant shift

Over the years, there has been significant shift all the world over in the use of solid fuels to liquid fuels. Some 50 years ago, the total world consumption of solid fuels was 83 per cent as against 13.3 per cent for liquid fuels, 3.2 per cent for natural gas and 0.7 per cent for hydel power. By 1968, the share of solid fuels came down to 36.7 per cent whereas that of liquid fuels went up to 42.8 per cent, of natural gas to 18.3 per cent and that of hydel power to 2.1 per cent. The replacement of solid fuels such as coal by oil was particularly prominent in the US and Europe. The major incentive for this change came from the boosing of world supplies of crude oil from new sources in the USA, in west Asia and in the USSR. At the same time, technical factors, cost of handling and the fall in the price of oil

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Eastern Economist 30 Years Ago

JAN. 5, 1945

With the unprecedented inflation of currency during the previous twelve montds and the expectation of unprecedented dividends in the near future, the opening of the new year found the stock exchanges stoutly declining to allow their optimism to be overclouded by the premature shadows of the inevitable budget, now only two months ahead. The markets moved up in an unbroken curve till, about the first week-end of February, Tata Deferreds raised themselves from the opening year level of Rs. 1960 to Rs 2170; Ordinaries from Rs 396 to Rs 430; Dyeings from Rs 2,050 to Rs 2,170; Centuries from Rs 890 to Rs 1,175; and Kohinoors from Rs 640 to Rs 730. The precautionary tendency to seek shelter in the protected asylum of native states from the dimly apprehended swoop of the Indian Finance member did not find much expression in the prices of native State scrips as most of them had already reached very high levels by the close of the previous year. In the textile group, Osmanshahis crawled from Rs 360 to Rs 376, Raza Textiles from Rs 100 to Rs 121, while Azamjahis hesitated about the level of Rs 655-700. The only exception was the spectacular rise of the ordinarily quiet Minervas from the opening year level of Rs 225 to Rs 327 by the first week of February.

relatively to coal in the 1950s and 1960s have resulted in a preference for liquid fuels at the cost of solid fuels.

In our country, the demand for energy has grown rapidly particularly since the beginning of the planning, becoming nearly double in the last two decades. There has also been a significant shift towards commercial energy. In 1953-54, out of the total energy consumed, the share of commercial fuels was 32 per cent and that of non-commercial fuels 68 per cent. In 1970-71, their respective shares changed to 52 per cent and 48 per cent respectively. Between this period, the share of coal declined from 15.4 per cent to 13.6 per cent while that of oil went up from 12.8 per cent to 25.8 per cent and of electricity from 4.1 per cent to 12.9 per cent. This trend in commercial energy consumption has continued even in later years.

sources of power

Let me now examine the question as to how our country is placed in respect of energy resources. We have huge coal deposits which on present estimate are likely to last for about 150-200 years. There are already two atomic power plants and another has been planned in the fifth Plan. We have considerable hydel power potential which has not been fully tapped, hardly 17 per cent of which is being utilised so far for generating electricity. We are already producing seven million tonnes of crude oil and some ambitious plans are in hand in this behalf. It is said that promising results have emerged from our drilling operations in the Bombay High. We are all very much interested to have further particulars in this behalf, as also the plans of government to step up off-shore oil drilling as well as the plans to explore and exploit natural gas. I feel that if the country has to be industrialised in the manner we want, our total energy requirement is certain to grow very fast and to meet this requirement, we will have to exploit our energy resources fully.

We are not able to produce more coal and transport it to consuming centres. Our power plants are not working efficiently and there has been delay in installing new capacity. The hike in oil prices has created an entirely new situation. Therefore, a spate of decisions will have to be taken at government, board room and works manager level on how to optimise the efficient use of energy both primary and secondary. The basic question is whether we have been using the right form of energy in the best possible way. What will be the roles of coal, oil, nuclear and water power as primary fuels in the overall economy and their relative merits in electricity generation? What is the scope of substitution of one fuel by another on techno-economic considerations and improve the efficiency of various fuel uses? What should be our policy for conservation and effective utilisation of commercial energy resources? What is the scope for Gobar gas which has evoked wide public interest in the context of fuel and fertilizer shortage?

These issues have, no doubt, been examined by the Fuel Policy Committee appointed by government in 1970. Its recommendations have now been submitted to government. Similar committees were set up in the past and many valuable suggestions were made. But these recomendations remain more or less unimplemented. I, therefore, suggest that the recommendations of the Fuel Policy Committee be put forward for public debate : and on that basis a national energy policy be framed. A separate National Energy Commission be constituted to implement various aims and objectives of the National Energy Policy.

I welcome the recently constituted Cabinet Sub-Committee on Energy under the chairmanship of Mr. K. D. Malaviya, minister for Petroleum and Chemicals, for effective coordination of all schemes connected with the development of energy resources such as oil, coal and power. I am sure that under the guidance of the prime minister, Mr Malaviya and Mr Pant, this sub-committee will be able to sort out the various problems facing the country in the energy sector.

The increasing cost of fuel has been worrying the consumers. The recent increase of Rs 100 per month in the emoluments of coal mine workers will involve an additional expenditure of about Rs 100 crores a year. Inevitably, the burden will be passed on to the coal consumer who is already groaning under the impact of successive rise in prices, and it will have a snow-ball effect. Between January 1973 and August 1974, the index for the price of coal has already shot up by about 50 per cent. In addition, there have been sharp increases in transportation, handling and other charges. I would urge the government of India to examine such issues. Otherwise it will be difficult to check inflation as a result of increases in fuel costs.

In fairness, I must add here that the working of some power plants in the public sector has recently registered improvement. And I trust that this trend will continue and become universal in the near future. In conclusion, I would like to assure the government on behalf of the industry our full and wholehearted cooperation to combat the present energy crisis that the country is faced with.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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POINTS OF VIEW

Is crop insurance feasible?

M. R. Meher

A SCHEME of protecting the farmer against loss or damage to crop on account of drought, floods, etc., by crop insurance was mooted in the fifties. At present when there is widespread failure of rains and crops, resort is had to *ad hoc* relief and relief works. With the larger allocation to states under the sixth Finance Commission's recommedations, the states are expected to manage their rural economies without grants from the centre in the case of calamities caused by scarcity. Uncertainly of the crop would arise not only from failure of rains and excessive rains but also from damage from pests and plant diseases. It has been said that a crop insurance scheme would not only ensure security for the farmer but also encourage the farmer to keep marginal lands under cultivation.

drought prone areas

There are difficulties in the proposal for protecting the farmer by a scheme of crop insurance. Is a viable scheme to be administered by a crop insurance corporation covering the whole of India or should such schemes be region-wise? There is no year in which some parts of the country do not suffer from drought or floods. There are also some areas which are drought-prone. Areas which have satisfactory irrigation facilities are less prone to scarcity. On what basis are calculations of insurance premiums to be worked out? If premiums are to be worked out on an actuarial basis they would have to be graded according to the soil in the region, the crops grown, whether irrigation is available or not, whether the area is drought-prone, etc. The Maharashtra Economic Development Council in its recent publication, "Droughts in Maharashtra" has said that crop insurance is absolutely necessary for Maharashtra and that, to begin with, the scheme may be introduced in the areas identified as drought prone areas.

It is true that areas which are dependent on timely rains for sowing and harvesting and districts which are drought prone need the most protection of the farmer and there is the necessity also of keeping alive cattle in a period of drought when there is shortage of fodder and water. But on an actuarial basis the largest premiums would have to be on such areas as also on areas prone to floods and the premiums would be beyond the capacity of the average farmer to pay. Any such schemes for these areas would have to be subsidised by the government. On the other hand, in regions where there is assured supply of water or farmers have been able to use modern technology and grow high yielding varieties the need for insurance would be less.

According to one economist, in a scheme of crop insurance, in the initial stage premiums would have to be on the low side so as to be within the capacity of the farmer, particularly the small farmer keeping marginal lands under cultivation. It might be mentioned that the number of small and marginal farmers in drought prone areas of the country alone is estimated to be about five million. According to one economist, in the initial stages, the state may have to subsidise insurance premiums to the extent of as much as 75 per cent. It is doubtful whether such a system of insurance would be viable and not degenerate into a cheap method of obtaining subsidy from the government. It has been suggested that for such a scheme to be viable it would not be feasible to give full protection against loss of crop due to natural causes and that the insurance should be limited to sixty or seventy per cent, or only fifty per cent of the normal yield, e.g., if the crop is insured to the extent of 70 per cent of the average yield, compasation should be payable only when the loss exceeds 30 per cent of the average yield, and losses up to that per cent should not be compansated.

other difficulties

There are other difficulties in the way of crop insurance. Premia would have to be calculated and worked out on the basis of the average yield of particular crops for a number of previous years. Reliable data on these are not easily available. In some states accurate land records are also not available. There is the problem of valuation caused by the fact that the production on land of a particular crop is not constant. The area under various crops depends not only on the nature of the soil but the farmer's choice between different types of food crops, as between food and cash crops. Care will also have to be taken by the insurer that the farmer uses due diligence in producing the insured crop. A very large number of field inspectors would be required for conducting the insurance scheme, assessing of damage, etc. There would also be problems of dealing with scattered and small agricultural holdings and a variety of agricultural practices, crop seasons and crop rotation. Illiteracy and poverty of the small farmer would be another problem in the working of a crop insurance scheme.

It is understood that the central government has given clearance to the General Insurance Corporation of India for introducing a crop insurance scheme, initially in six states, for two types of crops, viz., cotton and groundnut. When the scheme is introduced, its working can be watched and if successful, it can be extended later having regard to the experience gained.

development strategy

The draft of the fifth Plan does not say anything about crop insurance. The thrust of development strategy for drought prone areas in the draft Plan consists of improvement in irrigation facilities, soil conservation measures such as contour bunding, furrowing, terracing and levelling, improvement in agronomic practices, particularly dry farming technology, conservation of soil moisture, promotion of a suitable system of intercropping, livestock development, provisions for the benefit of the small farmers, marginal farmers and agricultural labour.

As regards agriculture in general the supply to farmers of necessary inputs such as seeds and pesticides, as also facilities for cheap credit and other outlays for increasing agricultural production proposed in the draft of the fifth Plan offer better prospects for improvement of production of agricultural lands than schemes of crop insurance which would require heavy subsidisation by the state and would also be difficult to administer. As regards protection against floods there are more suitable ways of preventing or reducing loss from floods by measures such as protective bunds and check dams.

Flow of resources to the developing worl

Jossleyn Hennessy

London

WINDOW ON THE WORLD

I

The 1973 Record

THERE WAS a decline in development aid in 1973 as measured by the percentage of GNP devoted to Official Development Assistance (ODA) by members of OECD's Development Assistance Committee (DAC). The percentage is probably the best indication of trends since it avoids distortions caused by changes in exchange rates and prices. It was 0.30 per cent in 1973 as against 0.34 per cent in 1972 for members of OECD's Development Assistance Committee as a group. The DAC uses the word aid to refer only to Official Development Assistance, which consists of grants and loans at concessional terms by the official sector for the purpose of fostering recipient countries' development and welfare.

The total flow of resources comprises ODA, grants by private voluntary agencies and loans, credits and investment at market terms. This last group of transactions favour growth and development and they are taken into account, but because they are at market terms, the word aid is not appropriate when refering to them or any total that includes them.

In US dollar terms, the total Official Development Assistance (ODA) of DAC members showed an increase of nine per cent in 1973 from $8,700 million to the record figure of $9,400 million, but if changes in exchange rates and price increase are taken into account, it fell by some six per cent. In 1973 DAO amounted to about $4.80 per person living in developing countries, a decline of about 30 per cent in real terms compared to ten years ago.

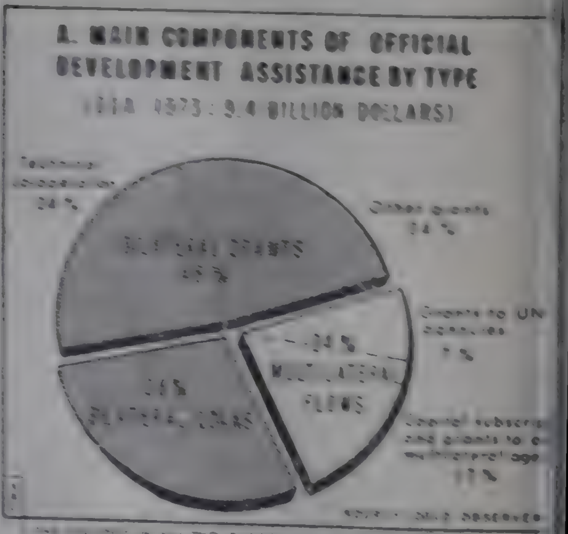
DAC members as a whole moved away from the 0.7 per cent of GNP target which the United Nations has recommended that each donor achieve by 1975. DAC Members have taken various positions with regard to this target. Four—the Netherlands, Belgium, Sweden and Norway—have accepted it without reservations; eight—Australia, Denmark, France, Canada, West Germany, Japan, New Zealand and the United Kingdom have accepted a date after 1975, and five have not subscribed to it at all.

Eight DAC members achieved some progress in their aid effort as measured in terms of the ODA to GNP ratio—Austria, Denmark, West Germany, Italy, Japan, Norway, New Zealand and Sweden. But a fall in this ratio for some of the major donors—France, the Netherlands, the United Kingdom and the United States—outweighed t progress, and the DAC average declin In particular, the United States, largest donor (32 percent of DAC me bers' combines ODA in 1973), recor a fall in its provision of ODA, not c in relation to GNP, but also in abso value.

There was a slight decline in of *grants* in ODA (including grants multilateral agencies) which slipped b from the record level of 72 per cent 1972 to 71 per cent in 1973. Bilat grants increased by only 2.6 per cent nominal terms, and fell to less than of the total outflow of ODA (48 cent in 1973, compared to 50 per cer 1972). Their relative stagnation was mainly to lower expenditures on bilat food and programme aid.

nominal increase

As regards the other main compon of ODA, contributions to multila agencies (24 per cent of ODA in 1 rose in nominal terms by 18 per cen $2,200 million, an increase of a three per cent in real terms. Bila loans roughly maintained their shar 28 per cent in total ODA. As gross l ing rose in 1973, the relative stagna of new lending (which was about



n real terms as in 1972) largely
s increased amortisation back-

heat prices more than doubled een 1972 and1973, and other food s rose substantially. According to ninary data, food aid shipments ped sharply. Expressed in dollars, eral food aid grants decreased slight- and the dollar value of food aid nelled multilaterally by DAC mem- through the United Nations World d Programme and the Commission he European Communities remained ially unchanged. Food aid financed of the budget of the European Com- ity was stepped up from $87.6 million 143.9 million, with additional amount tributed by the United Kingdom 2.7 million) and Denmark $1.6 lion).

proved terms

The terms of Official Development istance, which have been improving r recent years, improved further in 3 as the grant element increased from per cent in 1972 to 87 per cent (the re of grants in new commitments rose l loan terms softened).

The main provision of the Recommen- tion on the Terms and Conditions of d adopted by the DAC in 1972 is that embers should use their best efforts to ach and maintain an average grant ement in their ODA programmes of least 84 per cent. The grant element in essence a measure of the softness or ncessionality of a transaction, and takes count of the maturity, grace period and terest of a loan. It is the difference etween face value and the discounted er cent value of the stream of repayments, cluded interest, to which the loan will ve rise, expressed as a percentage of its ce value. In calculating it, a stan- ard rate of interest is used which is ssumed to reflect the market rate of inte- est in donor countries. This rate of nterest (or more accurately, rate of dis- count) is conventionally taken as 10 per cent. Some examples may help to nderstand the concept.

—The grant element of a grant is 100 per cent, since there are no repayments.

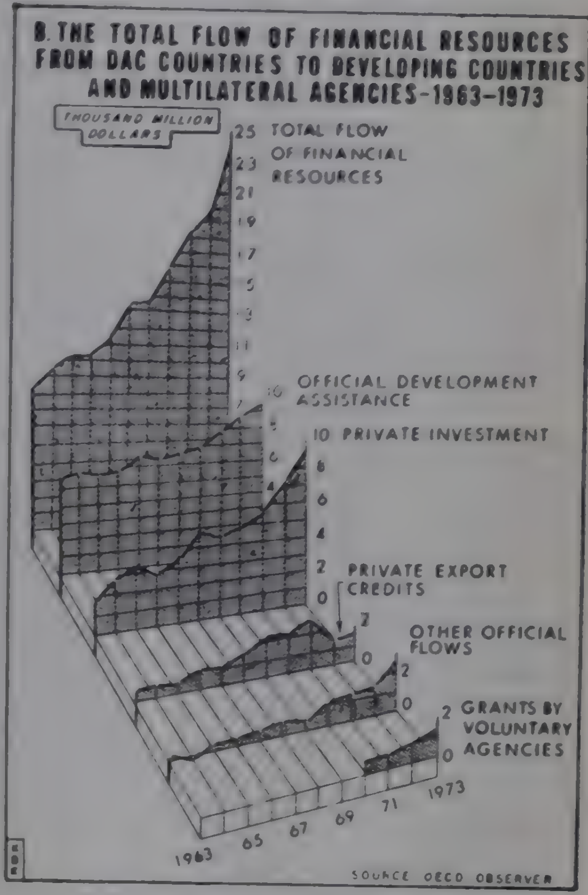
—The grant element of a loan at 10 per cent is nil, because the actual and standard rate of interest are the same.

—The grant element of a 30-year loan, amortised 6-monthly in equal instalments, with a 10-year grace period, extended at 2½ per cent interest is 62 per cent.

In 1973, thirteen out of the seventeen DAC countries complied with the general terms objective. Of these thirteen, eight raised their grant element above the levels of 1972 : Denmark, France, West Germany, the Netherlands, New Zealand, Sweden, the United Kingdom and the United States. Australia, Belgium, Canada and Norway roughly maintained the already high concessionality of their ODA programmes. Switzerland complied on terms grounds proper, but as in previous years, the volume of its commitments was too low to be considered as having met the terms target.

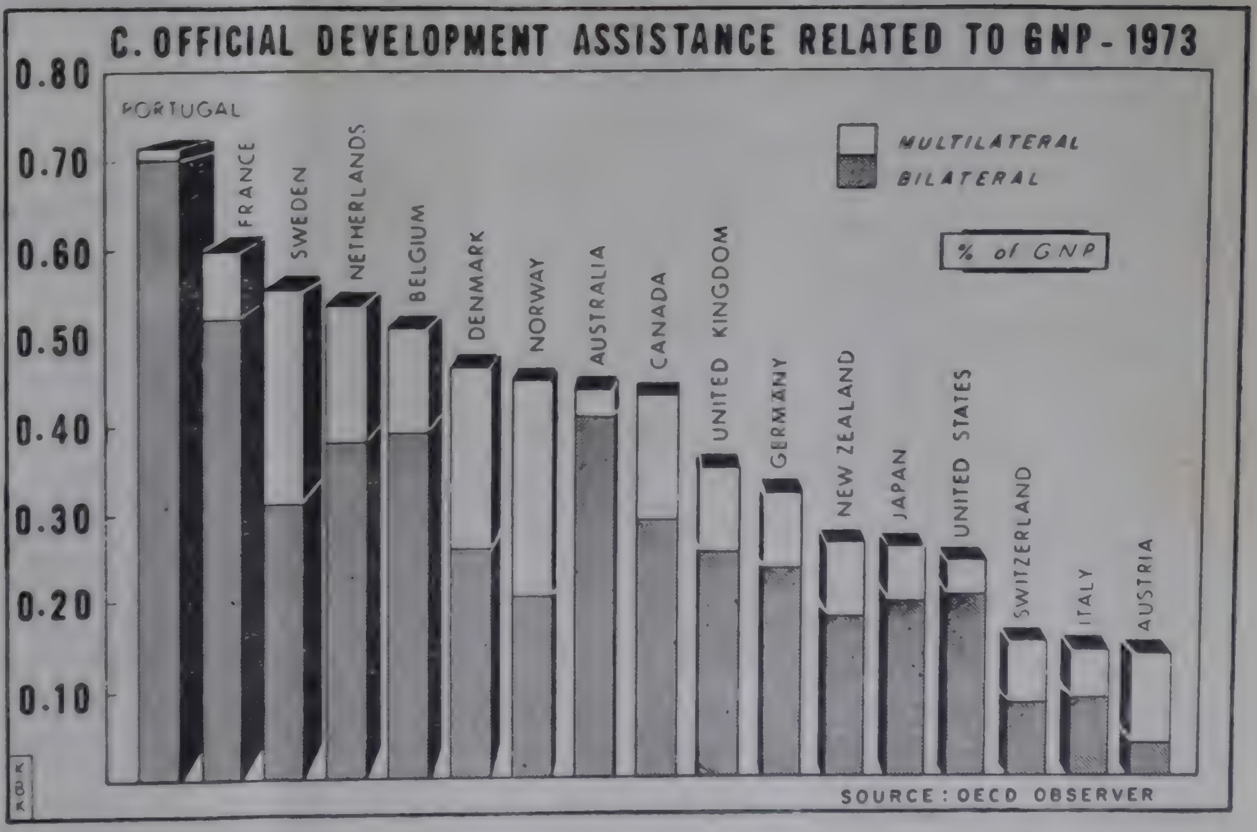
Of the remaining four countries, the information for Austria and Portugal is incomplete. Italy, which has not accepted the terms target owing to the special problems of its economic structure, softened the terms of its small programme. Progress was made by Japan, whose aid programme is relatively recent. It raised the grant element of its ODA from 61 per cent to 68 per cent.

Export credits, private lending private investment and grants by voluntary agencies together, which are not considered aid but do constitute part of the net flow of resources, increased more than Official Development Assistance. Most official export credits are provided by West Germany, Japan and the United States, and their volume almost doubled. Direct private investment rose to a new record of $5,900 million and bilateral portfolio investment by 30 per cent, but



B. THE TOTAL FLOW OF FINANCIAL RESOURCES FROM DAC COUNTRIES TO DEVELOPING COUNTRIES AND MULTILATERAL AGENCIES–1963–1973

SOURCE OECD OBSERVER



C. OFFICIAL DEVELOPMENT ASSISTANCE RELATED TO GNP - 1973

SOURCE : OECD OBSERVER

this was partly offset by lower purchases of multilateral portfolio securities by private investors. Private export credits were 25 per cent below their 1972 level and grants by private voluntary agencies increased by 30 per cent. Thus the total net flow of resources rose sharply in absolute terms—by 21 per cent, to a new record of $24,000 million but in terms of GNP remained at the same level as in 1972—0.78 per cent. This figure, however, excludes most Euro-currency lending, which is not officially reported to the DAC; this has expanded rapidly in recent years and is estimated to have reached at least $9,000 million gross in 1973. (Some estimates go as high as $12,000 million). While no figures are available on individual countries, it is known that DAC members accounted for a major part of these funds.

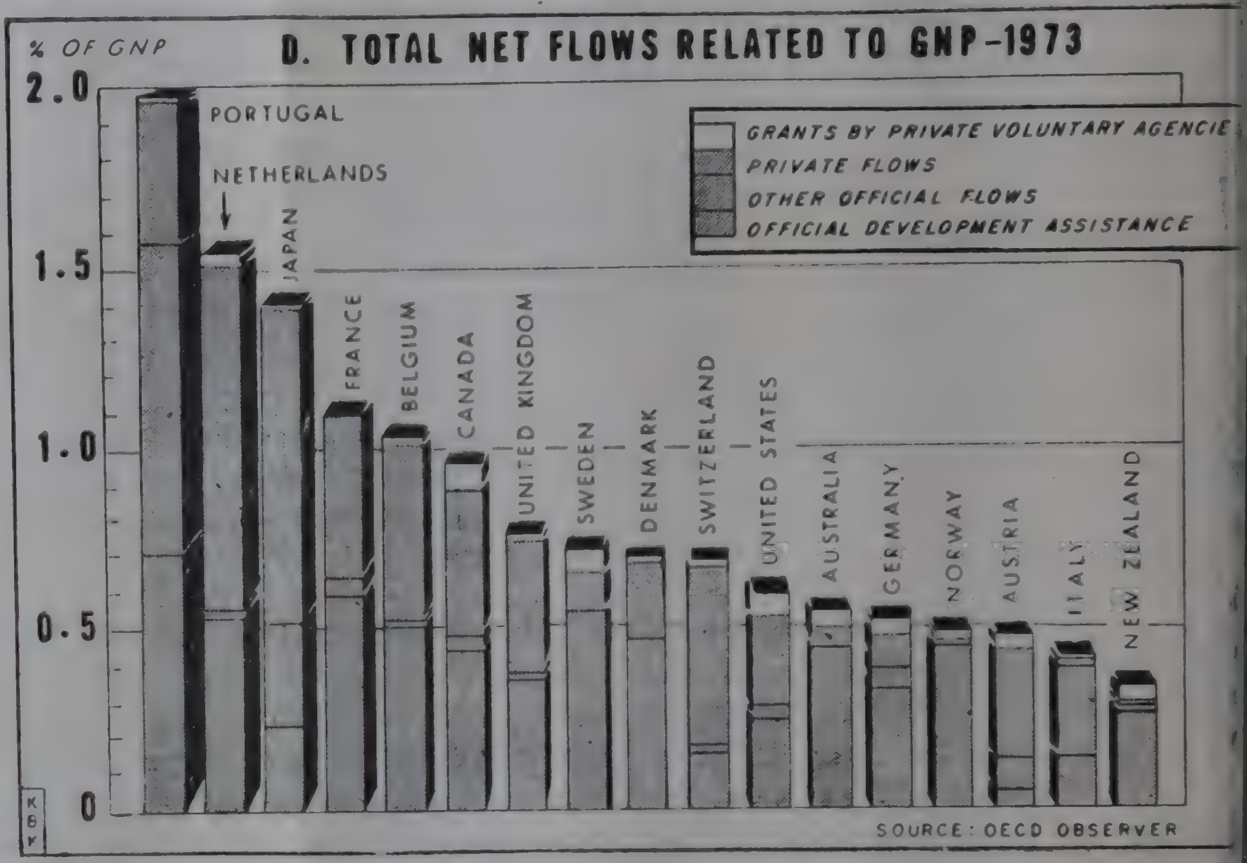
substantial increase

Thus the total net flow of financial resources to developing countries actually increased substantially in 1973. The target of one per cent of GNP recommended by the United Nations and accepted by all DAC members would probably have been reached in 1973 and possibly exceeded if all Euro-market lending were included.

Recorded performances varies considerably between individual countries. Five countries—Belgium, Japan, the Netherlands and Portugal exceeded the target level of one per cent. For some countries the percentage fell, in particular the United States, which recorded a further decline from 0.66 per cent in 1972 to 0.58 per cent in 1973.

Since flows at market terms increased their share in the total flow at the expense of ODA, terms would have hardened for this reason alone, but the effect was intensified by the general rise in market rates. It is difficult, however, to quantify the implications of this: the increase in the debt due to harder terms is to some extent offset by inflation, and it would seem that individual developing countries may be affected differently.

The outlook is difficult to assess, but DAC members have stated their determination to make all possible efforts to maintain and enlarge their aid flows to developing countries, and to improve the terms of their aid further. They are also prepared to extend relief assistance in various forms to the poorer developing countries which have been most seriou affected by the price of of oil and otl essential imports and, in channelli their aid to give priority to the countr whose needs are the greatest and mc urgent.



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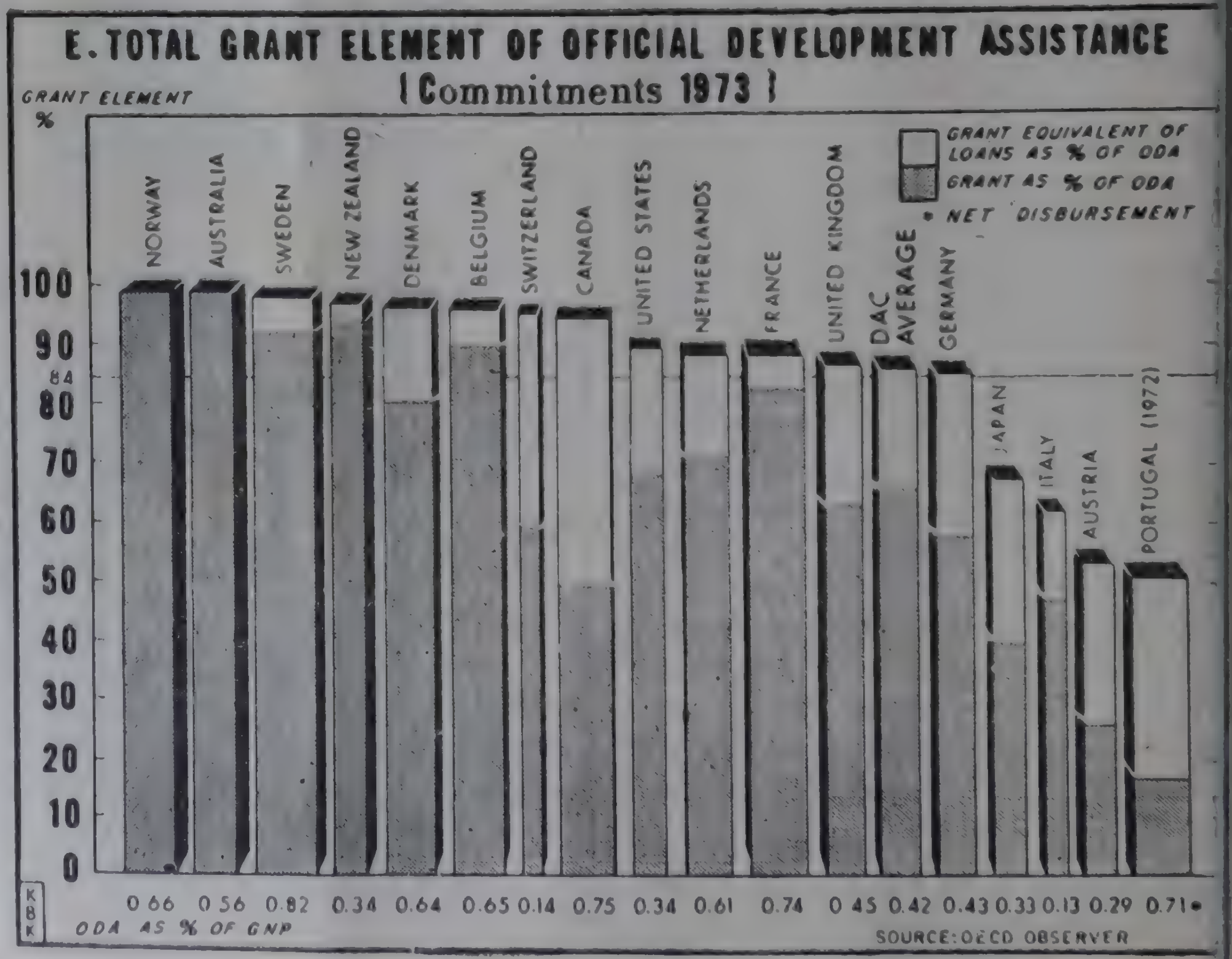


SOURCE: OECD OBSERVER

Painful progress towards stability

Vienna

E.B. Brook

EST EUROPE is in a peculiarly perplexed, ncertain and pessimistic mood which an only change into an unexpectedly gorous recovery or sink into even deeer resignation. Which way it will go ill depend on a number of factors. Supficially there is little prospect of better ays; strikes continue in Britain and aly, unemployment increases—though ot dramatically—in West Germany, rance has had labour troubles with the osts, radio television and sanitation serices and there seems to be disenchantment with the relatively young President ' Estaing.

teady rise

Overall, prices steadily rise with more increases promised as soon as 975 dawns and there is continuing nerousness about the value of money leadng to a good deal of needless buying which helps only to force up prices furher. On the whole, the Common Market, moving from "summit" to "summit", moves forward very slowly, uncrertain of he British, divided on important issues between the Germans and the French and looking forward to its new relations next year with east Europe and Comecon with uncertainty. Prophets of gloom are to be found everywhere in the Market area and outside, stockbrokers advise their clients to sail securities and "run for cash" only to find from the stores prices that cash buys steadily less.

Not a happy outlook for 1975; the west Europeans have not been happy for over a year, in fact since President Nixon took the international burden off the dollar by devaluing. The oil-owners merely added sharply to depression last year by putting up their prices four-fold. Europe knows the post-war boom has come to an end but does not know what the future holds—very largely because their leaders are not agreed among themselves or with the USA as to what is best to be done. Overall, there is fear of new Middle-East conflict, with Cyprus possibly added to the Arab-Israeli war for good measure.

But such unadulterated gloom is obviously excessive and suggests an atmosphere of exaggeration. Until quite recently both France and Italy were managing to maintain a fair level of business activity —only in the last few weeks have they, also, been heading for increased unemployment and moving toward zero growth in productivity and sales. This means that in almost all the Market area—and outside—consumer demand has held up well, despite rising prices. If the European has less faith in his money he still, on the whole, has plently of it. What, in fact, makes present circumstances worrying is that the little man in almost every west European country has become used to being a little capitalist with not only an adequate income and bank account but an owner of a small parcel of equity shares or more often, unit trust shares. It is the sharp fall in the value of these investments that worries and angers a section of the population that strictly speaking, should never have been speculators or investors at all.

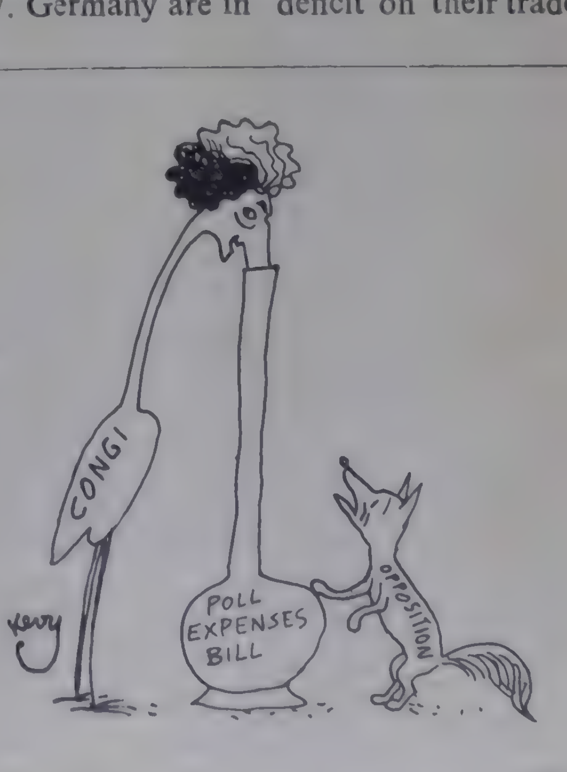
the "little man"

Attracted by the swift growth achievements of companies and unit trusts in the '60s the "little man", lacking experience in these matters, expected the good times to last forever and is now crestfallen to find that they do not. The middle middle-class who had become used to the luxury of owning two cars, usually parked in the front garden, resents having to make do with one and that the cost of foreign travel owing to sharply deteriorated exchange values in his currency makes the need to stay at home imperative. These inconveniencies—if they are such—can scarcely be called hardships: the fact that sales were till recently holding up shows that lack of cash was not causing personal anxiety untill very recently.

The solid facts are that unemployment in France and West Germany has been growing this year faster than in Britain and, in Italy—which still has the highest percentage—it has been slowly falling. It is very largely because worklessness has been increasing sharply in W. Germany and, more recently, more sharply in France that there is so much fuss about it. France and, especially, Germany of post-war vintage are not accustomed to unemployment and are more frightened by it than are the more bitterly experienced British and Italians. Similarly, industrial growth has fallen only a little in France, sharply in Britain and Italy who are used to this phenomenon and recently, sharply in W. Germany which is not used to it at all.

Those who complain loudly about prices in Britain — where they have certainly increased in recent months—should try the continental Market countries and EFTA countries such as Austria. West German prices rose till September while British were falling, France is more expensive than either while Italy bids to become west Europe's most costly country for living outside expensive Scandinavia. A hair cut in Austria costs three times as much as in Britain, and though the percentage rise in central Europe is less than in Britain the base price from which this percentage increase is calculated is considerably lower in Britain than anywhere on the continent. The average Value Added Tax in Switzerland and Austria is 16 per cent with the result that state earnings from it are disappointing because people are unable to pay the prices plus this heavy tax. Excessive taxes produce an adjuster in the form of decreased sales, but the effect on industrial and farm production is very discouraging.

Almost all west European countries except the Scandinavians and W. Germany are in deficit on their trade



balances; Britain and Italy have managed to raise the level of their exports to 75 per cent of imports and France to 90 per cent while W. Germany still manages to export about 125 per cent exports over imports. In each case the essential problem is keeping the process under control, helping beneficial changes without blocking the national system which differs in every case. The chief problem is that the characteristics of coming stability after adjusting to fuel prices and inflation are still unknown and emerge only slowly. As a result, steps are taken cautiously with very gradual relaxation of credit restrictions, a gradual lowering of rates of interest. This has occured in the USA, then in W. Germany and now in France. Similarly, in the foreign exchange market the hectic days of revaluations and devaluations are giving way to a more cautious feeling of the way towards the best balance between the dollar, the mark and other leading currencies. Recycling the "petrodollars" is still in its embryo trial stages but an instinctive realisation of the urgent need to avoid catastrophe has led to some unusual evidence of solidarity, with West Germany finally agreeing to make a loan to prevent the collapse of the Italian economy and Iran and Saudi Arabia coming to the assistance of France and Japan with Iran and Kuwait buying into German industries as one profitable and constructive way o allying new excessive cash wealth in Middle-East with the most efficient forms of west European industry.

In conditions where little is certain, where many crucial problems remain to be solved while Europeans are nervous and a trifle qua relous it is at least encouraging that what appeared at one time to be a threat of begger my-neighbour-tactics is giving way to something like a simultaneous—though not concerted—effort to find unspectacular means of getting through a difficult period. The greatest stability will however come i politicians can lessen their fear of allowing some unemployment to grow.

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TRADE WINDS

entral Loans

E UNION government
ated on December, 16 two
ore loans for Rs 75 crores to
ce the total market borrow-
so far during the current
ancial year to Rs 491.61
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The two loans anno-
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Subscriptions were to
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ans being fully subscribed on
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nterest for the period Decem-
er 28, 1974, to May 21, 1975
nclusive will be paid on May
2, 1975 and thereafter interest
will be paid half-yearly
n November 22nd and
May 22.

Indo-EEC Joint Commission

This country hopes to enhance its quotas for a number of export products to the EEC for the next year, besides continuing to enjoy duty-free entry for jute and coir goods into Britain and Denmark. This was stated by Commerce Secretary, Mr Y.T. Shah, while addressing newsmen at the end of the second Indo-EEC Joint Commission meeting recently. Mr Shah, who is the chairman of the commisson,, stated that the expectation was based on the "atmosphere of further liberalisations" that permeated the talks. He and Dr. M. Caspari, leader of the EEC team, described the discussions as "constructive, fruitful and forward-looking." Dr Caspari noted that the discussions on certain aspects were not easy and would require a longer time to clarify but talks did create the necessary climate for better trade and economic relations between the two sides. Dr. Caspari was particularly optimistic that the volume of trade which India had with Britain was possible with other countries of Community also. The missing link perhaps was that either side did not know the potentiality of the other. It was necessary to bring in industrialists of the two sides into a closer contact than hitherto for trade promotion.

Trade with Bangladesh

Rupee trade between India and Bangladesh has been abolished. The three-year rupee agreement, officially called Bilateral Payments and Trade Agreement, came to a premature end on December 31, only after a brief existence of a little over 17 months. The union minister for Commerce. Prof. D. P. Chattopadhyaya. explained that the switchover to convertible currency would promote uninterrupted trade between the two countries. "Our experience with Yugoslavia has proved that," he added. A protocol was signed recently by Prof. Chattopadhyaya and the Bangladesh Commerce minister Mr Khandaker Moshtaque Ahmed to provide that with effect from January 1, 1975 all payments and charges in connection with trade between the two countries shall be effected in freely convertible currencies in accordance with the foreign exchange regulations in force in each country from time to time. Prof. Chattopadhyaya pointed out that the rupee agreement had to be terminated because it had not yielded the results that had been expected. He blamed transport bottlenecks in Bangladesh and strikes and go-slow in India for the failure of the rupee trade agreement between the two countries.

Indo-USSR Trade

A significant increase of about 15 per cent is anticipated in the trade turnover between India and the Soviet Union during 1975. Against Rs 600 crores during 1974 the total turnover this year is expected to be about Rs 700 crores. Final round of trade talks with the Soviet Union—biggest trading partner of India—were held recently. Russian delegation headed by Mr I. T. Grishin, deputy minister of Foreign Trade, was in this country to finalise the list of commodities and to sign the agreement. In October, Commerce Secretary, Mr Bose Mullick had gone to Moscow for talks with the Soviet authorities. Under the annual plan for 1975 among the much-needed items that the Soviet Union would supply to this country are kerosene, fertilisers, non ferrous metals and equipment and machinery. The pattern of exports to the Soviet Union from this country would include traditional goods such as textiles and jute, besides, this country would export engineering goods, leather goods oilcakes and ready-made garments.

Delegation from Iran

Iran's desire to evolve closer economic cooperation with India was amply reflected in the statement of Mr Ahmed Khayyami, the leader of visiting 15 member delegation from Iran Chamber of Commerce, Industries and Mines. He fully praised India's industrial development and this countries capacity to meet the needs of Iran, now launching a massive programme of industrial development. During their visit to various units in Delhi and Bombay, the visitors located numerous avenues of cooperation between the two countries. Mr Humayun Faruzan, a member of the delegation, stated that India was a country with skills in many fields. He was certain that the two countries could cooperate in many fields. He pointed out that Irano-Hind Shipping Lines, a joint venture to be launched within three months, would mark the first step towards the building of trade between the two countries.

Indo-Polish Accord

India and Poland have evolved an arrangments to protect their reserves because of international currency fluctuations. Poland has agreed to continue rupee trade with India for the next three years under a trade and payments agreement signed in New Delhi recently. The new Indo-Polish trade agreement will thus replace the existing agreement which is to expire by the end of December this year. The trade agreement was signed by the Commerce Secretary, Mr Y.T. Shah for India, and Stefen Gerkowic, vice-minister of Foreign Trade Supply, for Poland. Poland is the second largest trading partner of India in east Europe next only to the Soviet Union. The trade turnover between the two countries in 1973 was Rs 85.57 crores while the trade plan for

1974 envisaged a turnover of Rs 200 crores. The trade plan for 1975 is likely to be finalised in Warsaw shortly.

Assistance from Britain

Britain has given a loan of Rs 17.75 crores to this country as debt relief under an agreement signed recenly. The agreement was signed by the British High Commissioner, Sir Michael Walker, for the British government and Mr M.G. Kaul, Secretary, Department of Economic Affairs, union ministry of Finance. The loan represents British contribution to the debt-relief scheme for 1974-75 agreed by members of the Aid-India Consortium following the negotiations held earlier this year. The loan is not tied to the purchase of goods and services from Britain and thus amounts to a transfer of free foreign exchange. It is on the usual soft terms of British lending to this country. It is free of interest and service charges and repayable over 25 years, with no repayment due during the first seven years.

Trade with Yugoslavia

A high-level trade delegation led by Mr Y.T. Shah, Commerce Secretary left for Yugoslavia recently. The delegation consisted of representatives from the ministries of Commerce and Industry and Civil Supplies, public sector undertaking such as Engineering Projects (India) Ltd, and SAIL International and from the private sector. The delegation which has been invited by the government of Yugoslavia, will explore opportunities for strengthening and expanding Indo-Yugoslav trade and economic relations. Trade between India and Yugoslavia increased to Rs 31.4 crores in 1973-74 from Rs 19.8 crores in 1972-73. India's exports increased by 90 per cent from Rs 12.4 crores in 1972-73 to Rs 23.5 crores in 1973-74.

Gold Prices

The price of gold rose to a record of $194.50 an ounce in the morning trading of London bullion Markers on December 27. Dealers stated that the $7.00 rise from December 20, price fixing reflected new confidence in gold following a statement by the French prime minister that differences with Iran over the revaluation of of France's gold reserves had been ironed out, and also due to anticipated American demand.

West German Bank Rate

The West German Central Bank recently lowered Bank Rate by half a point to six per cent to support the government's new reflationary policies aimed at fighting rising unemployment and the threat of recession.

World Oil Production

The Soviet Union is the world's largest oil producer, averaging 9,034,000 barrels per day during the first nine months of 1974, according to the figures compiled by the Venezulan Mines ministry. Soviet production increased by 8.6 per cent this year while the United States, world's second largest producer, saw its output fall by 3.8 per cent to 8,869,000 barrels per day. Five members of the Organisation of the Petroleum Exporting Countries (OPEC) rank as third to seventh largest producers. Saudi Arabia's output increased by 7.6 per cent to 8,430,000 barrels per day, Iran's rose by 4.5 per cent to 6,103,000 barrels, Venezulan output dropped by 10.4 per cent to 3,015,000 barrels, Kuwait's fell by 15.7 per cent to 2,629,000 barrels and Nigeria increased its output by 12.7 per cent to 2,266,000 barrels. Canada is the world's eighth largest producer with a 2.6 per cent rise to an average 1,840,000 barrels per day.

FCI to Make Explosives

The Fertiliser Corporation of India has taken up the manufacture of explosives. A Rs 2-crore methylamines plant at Trombay was commissioned recently. Methylamine is better and safer than dynamite as an explosive. The plant, the first of its kind in the country, will annually produce 1,000 tonnes of monomethylamine, 2,500 tonnes of dimethylamine and 500 tonnes of trimethylamine. At present this country is importing its requirements. The plant has been built with US know-how on a turn-kay basis. The design of the plant is flexible to produce any one or more of the products and in any concentration. The foreign exchange cost of the equipment of the plant is only five to six per cent of the total erection cost.

Export of Canned Foods

This country exported processed food worth Rs 19.01 crores in the first six months of the current financial year, Mr Kisan Mehta, chairman of the Processed Food Export Promotion Council stated recently. Addressing the 11th annual general meeting of the council, Mr Mehta indicated that the council was making efforts to increase its export performance to a minimum of Rs 35 crores against the original target of Rs 31.85 crores. Exports during 1973-74 were of the order of Rs 31.03 crores as against Rs 24.48 crores in 1972-73. Mr Mehta added that India suffered a setback in the export of mango juice in 1973-74 to the Soviet Union with only 3,000 tonnes of export, a fall of 50 per cent in average exports.

Hindustan Shipyard

The Hindustan Shipyard Limited (HSL) earned a not profit of Rs 53.39 lakhs during 1973 as against Rs 64.70 lakhs in the previous year. This was revealed in the annual review of the shipyard for 1973-74 presented in the Rajya Sabha recently. Out of the cumulative profit of Rs 100.54 lakhs, a sum of Rs 39 lakhs had been set apart as development rebate reserve raising the reserve to Rs 117 lakhs. It also revealed that a sum of Rs 296.58 lakhs was due to the company from the government of India representing estimated subsidy on the vessels built and delivered during 1973-74. Th
company delivered three vesse
of about 13,800 dwt durin
the year and eight were i
various stages of constructio
The total value of productio
during the year reache
Rs 1,521.81 lakhs as agains
Rs 1,275.98 lakhs in the pr
ceding year.

Bihar's New Emporiun

"Ambapali", Bihar's ne
handicraft retailing centre i
the posh state handicraft en
poria complex in New Del
was inaugurated by the Pres
dent, Mr Fakhruddin A
Ahmed on December 20. Bes
des the President and Begu
Ahmed, Mr Abdul Ghafoo
the chief minister of Bihar an
Mr Chandrasekhar Singh, t
state Industries minister, an
other high officials, peop
also turned up in lar
numbers to make t
occasion a colourful a
memorable one. The Pre
dent was very much impress
by the exhibits which is
glowing tribute to the exqu
site craftsmanship of t
artisans who have kept ali
the rich culture of Bihar. M
Ahmed received a carpet as
gift on this occasion.

The "Ambapali" empori
will be managed by the Bi
State Handloom, Powerlo
and Handicrafts Developm
Corporation. This corpo
tion has an authorised capi
of Rs 5 crores and its m
activities will be to prom
the development of handicra
and handloom sectors. It w
also manage the sales empor
functioning at Delhi, Calcut
Bombay, Ranchi and Pat
Besides this corporation, t
Bihar State Leather Industr
Development Corporation a
has been set up with an aut
rised capital of two crores
rupees, the main objective b
to achieve the intensive de
lopment of leather and all
industries in the state.

Names in the News

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the government of India.

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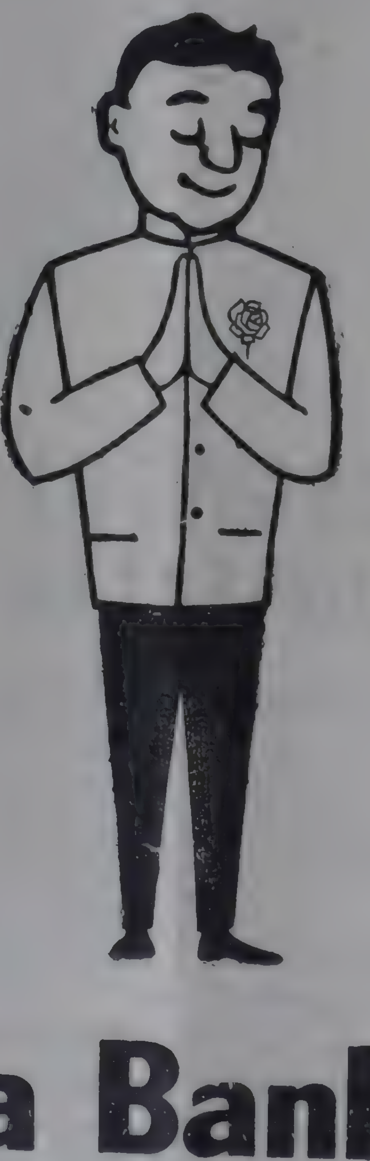

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Chairman: **M. SUNDER RAM SHETTY.**

OBM2680

COMPANY AFFAIRS

larkets Buoyant

IARE MARKETS again turned oyant last week. Several rips recorded further hand- me gains on sustained support d hectic bear covering. The arket sentiment improved nsiderably following the ion Finance ministry's sessment discounting fears of cession overtaking the eco- my. Renewed hopes of a odification in dividend con- ols and flow of encouraging rporate news also brought me cheer to the markets. he prevailing mood in the arkets so far is one of optim- m. How long this will last anybody's guess?

The upward trend in equi- es on Dalal Street accele- ated further during the week, ith several scrips registering mart gains. Textiles were in he limelight on improved out- ook for the industry. Khatau, afatlal Fine and Finlay, rmed up substantially during he week. Trading on the yons Range was steady dur- ng the past week. The improve- nent was largely of a echnical character. Besides opes of relaxation in dividend eiling curbs and a steady flow f encouraging corporate re- orts also aided the market entiment. Sugars, textiles, hemicals and industrials were o the fore on the Madras Stock Exchange during the week. The turnover of business was fair and the undertone was of a mixed nature.

Hindustan Lever

The shareholders of Hindustan Lever has passed a resolution approving the sale of the company's undertaking at Tiruchirappalli, manufacturing vegetable oil products. The unit forms a small part of the company's total operations both in terms of the book value of the fixed assets and the turnover. According to the management, the viability of the unit in South India has been seriously affected following the uneconomical price control and increasing loss accentuated further by rising labour costs. Meanwhile the company has taken up three projects in order to diversify its activity. One of the projects would be a detergent plant to be set up in Jammu & Kashmir. The necessary industrial licence has already been obtained and production is expected to start by the end of next year. Another project is for the manufacture of a new product and it is being put up at Taloja, Bombay at an estimate cost of about Rs. 1.5 to 2 crores. The third project relates to the manufacture of phosphates at an estimated cost of Rs 15 crores. It would be set up at Haldia.

Siemens India

Siemens India has proposed a one for one bonus issue of equity shares besides reporting excellent working results in the year ended September 30, 1974. Besides it has also proposed an equity dividend of 12 per cent the maximum permissible at present under the dividend ordinance, as against 18 per cent declared for the previous year. Half of the recommended dividend will however, be tax free in the hands of shareholders. The company's sales during the year soared to Rs 53.7 crores from Rs 43.7 crores while gross profit jumped to 8.17 crores from Rs 4.58 crores in 1972-73. Out of the gross profit, the directors have allocated Rs 88 lakhs to depreciation reserve, Rs 4.8 crores to taxation, 13.5 lakhs to development rebate reserve, Rs 5 lakhs to debenture reduction reserve and Rs 2 lakhs towards doubtful debt reserve as against Rs 76 lakhs, Rs 2.4 crores, Rs 12 lakhs, Rs 5 lakhs and Rs 1.5 lakhs provided respectively in the preceding year. After adjustments there is a balance of Rs 2.29 crores and it has been transfered to the general reserve out of which the proposed dividend amounting to Rs 28·8 lakhs will be paid.

International Tractor

The International Tractor Company of India Ltd has secured an order from Turkey for the export of 750 tractors valued at Rs 2.5 crores. The first consignment of 200 tractors had already being shipped. It is significant to note that the company has secured by the middle of last month export orders for tractors and implements valued at over Rs 4 crores The countries to which the company is exporting include United Kingdom, Australia, Turkey, Japan, Indonesia, Kenya, Tanzania, Zambia, Muscat and Nepal. In addition to exports, the company has also signed a collaboration agreement in Zambia for the manufacture of implements under which it will provide the complete technical know-how and components required for the assembly plant. Also, the company is likely to enter into negotiations with Zambia for collaboration agreement for setting up a tractor assembly plant. It may be recalled that the company started production of tractor at its thirty-five acre Kandivli plant in 1966 and it has so far produced over 53,000 tractors.

Shriram Bearings

Shriram Bearings Ltd. has reported appreciable rise in turnover and profits during the year ended June 30, 1974. Sales during the year spurted to Rs 4.08 crores from Rs 3.19 crores in 1972-73. While gross profit moved up sharply to Rs 83.07 lakhs from Rs 64.17 lakhs in the previous year. Out of gross profit the directors have alloted Rs 10.92 lakhs to depreciation reserve, Rs 0.63 lakh to development rebate reserve and Rs 45.66 lakhs to taxation as against Rs 17.65 lakhs, Rs 2.18 lakhs and Rs 30.42 lakhs provided respectively in 1972-73. This leaves a balance of Rs 25.86 lakhs and it has been transferred to the general reserve. In view of the dividend ordinance the directors have recommended an equity dividend of 12 per cent and 9.3 per cent on preference shares. The equity dividend will absorb Rs 6.60 lakhs while the preference dividend will claim Rs 1.86 lakhs.

Although the turnover and profits are better than in 1972-73. Further improvement in operations has been handicapped by some of the machines which have worn out after having been in use for more than ten years. Phased replacement of the machines has been planned on the basis of operational priorities and with such replacement it is expected that the physical operations would improve further. However, improvements in financial working results would depend considerably upon the efforts of tightness of bank credit, continued power shortage affecting most of the consuming industries and the cost of production which is escalating continuosly. The company's scheme for expansion of ball bearings capacity has been making steady progress. Capital goods clearance for the Aurangabad unit has been received. Arrangments for foreign exchange and rupee loans have been made. The government's approval under the MTRP act for setting up the factory at Aurangabad is now awaited. The company's foreign collaboration proposal for setting up a project for manufacture of roller bearings is still pending with the government for a decision. The abnormal delay which has already taken place in government clearance for the project has made its implementation highly uncertain.

Sakthi Sugars

The outstanding achievement of Sakthi Sugars is the doubling of crushing capacity to 4,000 tonnes daily in less than three years and the installation of a distillery with a capacity of three million gallons annually. Ever since it began crushing operations in 1964-65, there has been a steady increase in the quantity of cane handled and sugar produced and it should be said to the credit of the management that at no stage difficulty was experienced in securing the required cane supplies. The vigorous implementation of expansion schemes in 1971-74 has also resulted in a considerable saving in capital outlay as the value of gross fixed assets at Rs 958.58 lakhs on June 30, 1974 would require an investment of over Rs 20 crores on the basis of current costs even for creating the same facilities.

For Sakthi Sugars the year 1973-74 was spectacular in many respects. A record quantity of cane of 8.13 lakh tonnes against 6.88 lakh tonnes in 1972-73 was handled and the output of sugar at 67,776 tonnes against 59,972 tonnes in 1972-73 constituted the second largest for any factory in the whole country in spite of a low recovery due to factors beyond the control of the management. The working results for 1973-74 too are gratifying being the second best in the history of the company notwithstanding the heavy losses that had to be sustained by sugar mills in Tamil Nadu particularly due to the fixation of price of levy sugar on an unrealistic basis by the government and high prices that had to be paid to cane growers. The net profit before depreciation has thus been significantly higher at Rs 104.72 lakhs as against Rs 74.99 lakhs in the previous year in spite of higher interest charges, a bigger wage-bill and higher cost of cane. With no liability for taxation it has been possible for the directors to recommend payment of the permissible maximum dividend of 12 per cent taxable even after allocating substantial amounts to various reserves. The charge in respect of depreciacion is naturally higher at Rs 46.99 lakhs (34.66 lakhs) and development rebate Rs 32.67 lakhs (Rs 7.15 lakhs). There is no allocation towards taxation against Rs 9 lakhs formerly.

The transfer to preference share redemption reserve is Rs 50,000 (same) and dividend reserves Rs 18.45 lakhs (Rs 22.50 lakhs). Generation of internal resources for Rs 80.16 lakhs has been very useful in meeting part of th
heavy capital expenditure c
Rs 391.93 lakhs incurred i
1973-74. The full benefit c
the expanded facilities will b
realized in 1974-75 as it is con
fidentally expected that th
quantity of cane crushed ma
constitute another record a
nine lakhs tonnes and there i

A TOUCH OF WARMTH
Admiral 98
Sizes 5-10
Ponytail 17
Sizes 9-11
12-1, 2-5
Super Stride 85
Sizes 5-10
Rakhi 48
Sizes 2-7
Executive 79
Sizes 5-10
Bata
Bata
Bata
Bata

the prospect of a higher very of sugar being achiev- The current year may turnout to be another im- ant landmark in the ory of the company.

thari (Madras)

Kothari (Madras) is an algam of five companies, Waterfall Estates Limited, e Mountain Estates l Industries Limited, madies Plantations Limited, thari Textiles Limited and oni Spinning & Weaving mpany Limited. The first r of the amalgamated com- ies results were published the accounts for the year led June 30, 1972. The ofit for the year ended June 1974 is a record profit hieved by this company and o a record in regard to ofits achieved by the amal- mating companies in any of previous years. The gross ofit of the company was of order of Rs 331.38 lakhs against Rs 76.84 lakhs hieved during 1972-73. After ustments, the directors have propriated Rs 41.84 lakhs to preciation reserve, Rs 10.73 khs to development rebate erve, Rs 150.00 lakhs towards taxation, Rs 45.00 lakhs taxation reserve and Rs .90 lakhs to general reserve. e board of directors have clared a dividend of 9·3 r cent on its preference pital and a dividend of 12 r cent on its equity capital. e dividend could have been gher but for the restrictions posed by the government on e distribution of dividends. may be noted that despite e power cut of varying grees, throughout the year, e production has been much tter than the previous year cause of the installation of nerators in the various units this company.

The production of textiles, owever, has been excepti- nally good not only because f the installation of gener- tors, but also due to the con- stent modernization progr- mmes carried out at its textile ills right from 1960 and over hich, the company has so far pent approximately over Rs 00 lakhs. Modernization programme is still being carried out in phases. Similarly, this company is attempting to improve its production of tea both as regards its quality and quantity. Besides modernising its tea factories a systematic replanting or regeneration programme of at least eight per cent to 10 per cent of the coffee acreage has been started and it will be completed progressively in the course of next few years. The company has received licences for the installation of 300 automatic looms each, in one of the textile mills at Coimbatore and its textile mill at Adoni. The matter is under active consideration. In its fertiliser division, the company has got an approval from the government for expanding the capacity of the sulphuric acid plant from 15,000 tonnes to 18,750 tonnes per annum, which is expected to cost Rs 20 lakhs. This expansion programme is expected to be completed in the current year.

One of the primary objectives of the scheme of amalgamation was to utilise more effectively the resources of the amalgamated companies to provide a steady rate of return to the shareholders and achieve greater financial stability to enable expansion, diversification etc. With this objective in view, the company has applied for a licence for manufacturing of caustic soda and ammonium chloride. Tangible progress has been achieved in regard to this project and barring unforeseen circumstances, it is expected to go into production by early 1977. The estimated investment is of the order of Rs 15 crores and the gross profit for this unit is alone expected to be of the order of Rs 2.5 crores.

Refractory Specialities India

Refractory Specialities India Ltd is being set up in the backward district of Santhal Parganas, Bihar, for the manufacture of monolithic Refractories of all types as well as high alumina bricks upto 99 per cent alumina. The unit is being set up by enterpreneurs who are already running four small-scale refractory units manufacturing wide range of refractories such as silica, sillimanite, high alumina bricks and other grades of fire bricks. Encouraged with the progress in the four small-scale units the enterpreneurs, who have no backing from any other big house, have now decided to set up a medium-scale unit. The high performance refractories will be manufactured with the technical know-how of North American Refractories Co. who are one of the major refractories producing company in the United States. This company will provide complete know-how for manufacture, for applications and plant design layout for this Unit. Great emphasis is being laid by

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this company not only to manufacture consistent quality refractories but also to provide complete technical services in regard to application of monolithic refractories in the steel, petrochemical, fertilizer, cement, power generation and other industries.

The company's own refractory lining crews will install special refractories at the customers site. Almost all the petrochemical and fertilizer units are importing this special refractories alongwith steel industry. This unit will provide indigenous product which are hitherto being imported. The company has an export obligation of 10 per cent and has already located buyers who have shown keen interest in obtaining the products of the company. The major outlet for exports would be in middle East and South east countries. The collaborator has also agreed to assist this company in taking part of the production for meeting the export obligation. The total project cost is Rs. 135 lakhs, out of which equity will be Rs 40 lakhs, backward area subsidy Rs 15 lakhs and institutional loan Rs 80 lakhs. The project is very viable and good investment and hence assures an early return on capital.

West Bengal Industrial Dev. Corp.

The West Bengal Industrial Development Corporation has sanctioned incentives to 14 medium and large industrial units in the month of November, 1974. The incentives include sales tax refunds as long term loans, 30 per cent subsidy on power consumption, repayment of octroi duties and 75 per cent subsidy on cost of preparing feasibility reports. The 14 units which comprise new ones and expansion projects of existing companies are : Shaktigarh Textiles in Burdwan, Bengal Arc Steel in Purulia, Eastern Spinning Mills in 24 Parganas, Orient Steel and Industries in Hooghly, Fort William Co., in Hooghly, Silver Fibre Mills in Midnapore, Siddhartha Ferro Alloys in Hooghly, Universal Industries & Cotton Mills in Biruhum, Pench Steel in Hooghly, Purulia Steels in Purulia, Singh Alloys & Steel in Nadia, Somani Ferro Alloys in Nadia, Birla Jute Mfg. Co. in Burdwan and Mohankas in Nadia. The above units coming up in different parts of the state, will generate a total investment of Rs. 21.5 crores and offer direct employment to about 5000 people. For the current year the state government have alloted Rs. 50 lakhs for payment under the incentive scheme.

Unit Trust

Mr. James S. Raj, chairman of the Unit Trust o India, described as "totall baseless and unwarranted' reports that the trust was in financial difficulties or tha it proposed to sell some o the shares of public limited

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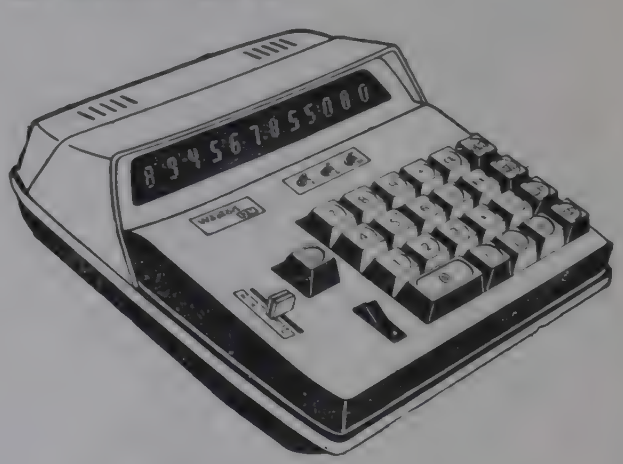

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ompanies held by it. Mr. Raj said the financial position of the trust continued to be ound despite heavy repurchaes of units since the dividend curb Ordinance early in July. The trust, he pointed out, was not a net seller in the share market but a buyer. Since July, it had bought a net Rs. 29 lakhs worth of shares. Mr. Raj agreed that the trust had to repurchase since July units worth about Rs. 14 crores, not during the same period it sold units worth over Rs. 10 crores. Thus the net disinvestment in units was only Rs. 4 crores. Againt this, the trust had a regular flow of income from its investments amounting to over Rs. 14 crores a year. Thus there was no question of the trust being in financial difficulties.

AIE Convention

The Association of Indian Engineering Industry (AIEI) held its two-day convention at New Delhi on December 20 and 21, and was inaugurated by Mr T. A.. Pai, the union minister for Industry and Civil Supplies. Combined with the inaugural function, AIEI organised a two-day conference on "the engineering industry and the challenges ahead". The conference consisted of three working sessions, namely, the technological challenges, export challenges and the managerial challenges. AIEI's objective was that through these deliberations, specific plans should emerge for appropriate action by the industry and the government. The principal emphasis was on raising engineering production and exports. Each working session was devoted to a discussion of the problems and perspectives and action plans framed in respect each subject. Delegates from all over the country participated in this convention. It is worth noting here that the Association of Indian Engineering Industry is the largest industry association in the country with a membership of 1068 companies representing an investment of Rs. 3000 crores and employment of one million. Its membership is drawn from small, medium and large units from public and private sectors.

News and News

Philips India has already crossed the export target by the end of November 1974 and is quite hopeful of reaching the Rs 3½ crore-mark by the close of the year, although it has fixed a target of Rs 3 crores for the whole of 1974. The company's export in 1973 was to the tune of Rs 1.20 crores. The wide variety of exports during 1974 covers radio components, radio receivers, radio kits, lamps, tubes, lighting fittings, public address system, mobile amplifiers and welding electrodes. The recent despatch of over 200,000 fluorescent tubes to Hong Kong as part of a major order is an important landmark in Philips India's export drive. The first major breakthrough in the field of welding electrodes was made recently when the company received an order for 250 tons of welding electrodes from Egypt covering a value of approximately Rs one million. Initial despatches have already been made and the company hopes to obtain larger orders for welding electrodes during 1975.

Dr Beck and Company (India) Limited of Pimpri, Poona has signed an agreement with the Soviet Union's ministry of Foreign Trade for the supply of synthetic insulations valued at Rs 4.27 crores for the Russian electrical industry during 1975. The company has secured this repeat order from the Soviet Union against stiff competition from companies in Europe, America and Japan.

New Issues

The Gujarat Industrial Investment Corporation (GIIC) of Gujarat state government, the promoters of the prestigious Gujarat State Fertiliser Company (GSFC) have ventured into a project for the manufacturing of caustic soda. *The Gujarat Alkalies & Chemicals Limited* (*GACL*) has been formed to implement the project for the manufacture of 37,425 tonnes of caustic soda, 33,000 tonnes of chlorine and 6,000 tonnes of Hydrochloric acid (100 per cent). The technical know-how will be provided by M/s Friedrich Uhde GMBH of West Germany who have established over 70 caustic soda-chlorinet plants all over the world. GACL's unit will be located in Baroda, near the consumers' plants such as Indian Petrochemicals Corporation Limited, GSFC and other chlorine-bosed units located or proposed to be located in the Baroda Petrochemical complex. The entire production of GACL will be consumed in Gujarat itself by textile units, GSFC, Baroda Rayon Corporation and other chemical units located near Baroda. The cost of the project is estimated at Rs 11.40 crores which would be financed by the share capital of Rs 425 lakhs and term loans of Rs 715 lakhs. Of the share capital of Rs 425 lakhs, GIIC, the promoters, will subscribe to Rs 170 lakhs and the balance shares valued at Rs 255 lakhs will be offered to the public. The issue will be underwritten by financial institutions and brokers. Necessary land has been acquired and the building construction has commenced. The company expects to commission the plant by the middle of 1976. The public issue, of equity shares of Rs 255 lakhs, is scheduled for the end of January 1975 and is being managed by H.L. Financial Consultants and Management Services Private Ltd (FICOM). Bombay.

Dividends

(Per cent)

Name of the company	Year Ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Monogram Mills	December 31, 1973	15.0	10.0
Shree Yamuna Mills	December 31, 1973	8.5	6.0
Tarun Commercial Mills	December 31, 1973	17.0	14.0
Same Dividend			
Sree Rajendra Mills	March 31, 1974	12.0	12.0
Cooper Engineering	June 30, 1974	Nil	Nil
Jaipur Metal & Electricals	March 31, 1974	Nil	Nil
Kanknarrah Co.	December 31, 1973	Nil	Nil
Reduced Dividend			
Hindustan Sugar	June 30, 1974	6.5	9.0
Indo-American Electricals	March 31, 1974	6.0	12.5
Jayant Paper	March 31, 1974	8.0	12.0
Auckland Jute	March 31, 1974	Nil	5.0
Spencer & Co.	June 30, 1974	11.0	20.0
Sri Krishna Rajendra Mills	March 31, 1974	5.0	10.0
Hooguly Flour Mills	December 31, 1973	10.0	25.0
Saurashtra Cement	June 30, 1974	Nil	15.0
Upper Ganges Sugar	June 30, 1974	12.0	16.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the month of September 1974. The list contains the names and addresses of the licences, articles of manufacturer, types of licences viz New Undertaking (NU), New Article (NA), Substantial Expansion (SE), Carry On Business (COB) and Shifting—and annual installed Capacity. Details regarding letters of intent revoked, rejected or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Rajhans Steel Ltd; 16, Ganesh Chandra Avenue 6th Floor, Calcutta-33.—(Mihijan, Santhal Parganas, Bihar)—Alloy Steel Castings—900 tonnes p.a. Spheriodal Castings—900 tonnes p.a. Manganese Steel Castings—1,200 tonnes p.a.—(NU)

M/s Modi Steel Wire Mfg. Co., Modi House, 10-B, Kasturi Ranga Iyenger Road, Alwarpet, Madras 18.—(Madras-Tamil Nadu)—Mild Steel Wire of 18 gauge & Thinner (Galvanised of otherwise)—3,700 tonnes p.a. ACSR Core Wires. Pre-stressed concrete wires. Spring Steel Wires. Cycle Spoke Wires. Alloy Steel Wires. and Low Carbon Galvanised & Un-galvanised steel Wires.—6,30 tonnes p.a.—(NU)

M/s Industrial Steels, G.T. Road, Miller Ganj, Ludhiana.—(Ludhiana-Punjab)—Steel Casting—2,000 tonnes p.a. Stainless Steel Castings; Heat Resistant Castings; Shell Moulded Castings and Alloy Steel Castings2500 p. a.—(NU)

M/s Kaveri Structurals, 'Sire Mansion', 123, Mount Road, Madras.—(Tiruchirapalli, Tamil Nadu)—Pressure Vessels (*New Articles*) Heat Exchangers.—1,200 tonnes p.a. (N.A./S.E.)

M/s Allied Engg. Works, 5713, Industrial Area, Wazirpur-Delhi—(Delhi)—Bright Bars—510 tonnes p.a. Conduit Pipes—80 tonnes p.a.—(COB)

M/s D.G. Steels & Alloys, 5-3-667, Topkhana, Near Usmanganj, Hyderabad.—(Hyderabad-Andhra Pradesh)—M.S. Ingots, Quality Carbon Steels; Forging quality carbon steels; Cold Heading quality Carbon steels; etc.—4,000 tonnes p.a.—(COB)

M/s Hindustan Steel Forgings, Rajpura, Punjab.—(Rajpura-Punjab)—Closed Die Steel Forgings—525 tonnes p.a.—(COB)

M/s Asian Steel Industries Ltd; Moulali, Hyderabad.—(Hyderabad-Andhra Pradesh)—Stranded Wire—925 tonnes p.a.—(COB)

M/s Machine Techno (Sales) Pvt. Ltd; Jindal House, 8-A, Alipore Road Calcutta.—(Calcutta-West Bengal)—Mild Steel (Black Wires)—2,000 tonnes p.a.—(COB)

M/s A.K. Corporation Ltd; 93, Park Street, Calcutta.—(Vishakhapatnam-Andhra Pradesh)—Tin Containers (Above 18 litres)—100 tonnes p.a.—(COB)

M/s Swastik Ispat Ltd; 18-Naryan Dhurn Street, Bombay.—(Satpur-Nasik-Maharashtra)—M.S. Ingots; Electrode quality Carbon Steels; Forging quality carbon steels; cold heading quality carbon steels; etc.—18,000 tonnes p.a.—(COB)

M/s Godavari Steels (Pvt.) Ltd; c/o Sreenivasan Finance Corpn., Devichauk, Rajamentry.—(Devichouk-Andhra Pradesh)—M.S. Ingots; Electrode quality carbon steels; Forging quality carbun steels; etc.—9,000 tonnes p.a.—COB)

M/s S. P. International Pvt. Ltd; 3-A, Focal Point, Dhandhari Kalan, Ludhiana.—(Ludhiana-Punjab)—Mild Steel Wires (Ungalvanised)—1,250 tonner p.a.—(COB)

M/s Dabriwala Steel & Engg. Co. Ltd; Sector-24, Plot No. 136, Faridabad.—(Faridabad-Haryana)—M.S. Ingots; Electrode quality Carbon Steels; Cold heading quality carbon steels; etc.—7,000 tonnes p.a.—(COB)

M/s B.R. Harman Mohatta (Varunee), Ulhas Nagar, Thana, Maharashtra.—(Thana, Maharashtra)—M.S. Ingots; Electrode quality Carbon Steels; Cold heading quality carbon steels; etc.—28,000 tonnes p.a.—(COB)

M/s Haryana Steel & Alloye Ltd; 3/5, Asaf Ali Road, New Delhi.—(Murthal-Sonepat, Haryana)—M.S. Ingots; Electrode quality Carbon Steels; Cold heading quality carbon steels; etc.—18,000 tonnes p.a.—(COB)

M/s Pradyumna Steels Ltd; 112, Chittaranjan Avenue, Calcutta.—(Hoogly, West Bengal)—M.S. Ingots; Electrode quality Carbon Steels; Cold heading quality carbon steels: etc.—27,000 tonnes p.a.—(COB)

Shri Chandra Kant Maganlal Sanghvi, 395/97, Natha Street, Bombay-9—(Kolaba, Maharashtra)—M.S. Ingots; Electrode quality Carbon Steels; Cold heading quality carbon steels; etc.—18,000 tonnes p.a.—(COB)

M/s Delta Spokes Mfg. Co. Dharam Chand Estate, Devnar, Bombay-8.—(Devnar-Maharashtra)—Carbon Wires (Ungalvanised Bright)—2000 tonnes p.a. High Carbon Wires (Galvanised)—1,000 tonnes p.a.—(COB)

M/s Lauls Pvt. Ltd; 33-B, New Industrial Township, Faridabad.—(Faridabad-Haryana)—M. S. Ingots; Electrode Quality Carbon Steels; Forging quality Carbon Steels; etc.—9,000 tonnes p.a.—(COB)

Shri K. Dharma Rao & Shri R.C. Mitra, Promoters, Circar Steel Pvt. Ltd; 23, Camac Street, Calcutta.—(Vijayawada-Andhra Pradesh)—M.S. Ingots: Electrode Quality Carbon Steels: Forging quality Carbon Steels; etc.—9,000 tonnes p.a.—(COB)

M/s Western India Steel Industries; Prop. Merchant Steel Industries (P) Ltd; Nirmal Nagar, Bhavnagar.—(Bhavnagar Rajkot Road, Sehor, Gujarat)—M.S. Bars, Flats Angles—2,160 tonnes p.a.—(COB)

M/s Ravindra Steel Ltd; 33-B, MIDC Industrial Area, Hinga Road, Nagpur—(Nagpur-Maharashtra)—M.S. Ingots; Electrode quality carbon steels; Forging quality carbon steels; etc.—18,000 tonnes p.a.—(COB)

M/s Golden Steel Corpn. (P) Ltd; P-35, India Exchange Place, Calcutta-1.—(Liluah, Howrah, West Bengal)—Mild Steel Black Wires—2,600 tonnes p.a.—(COB)

M/s Mahakoshal Steel Inds. Pvt. Ltd; 9-Rajmahal, Churchgate, Bombay-20.—(Raipur-Madhya Pradesh)—M.S. Ingots; Electrode quality carbon steels; Forging quality carbon steels; Cold heading quality carbon steel; etc.—5,500 tonnes p.a.—(COB)

M/s Maharashtra Wire Drawing Co. 64, Peddar Road, Bombay.—(Bombay-Maharashtra)—Mild Steels Black Annealed Wires—2,350 tonnes. p.a—(COB)

M/s Pratap Steel Rolling Mills (P) Ltd; 21/3, Mathura Road, Ballabhgarh, Haryana.—(Hyderabad-Andhra Pradesh)—M.S. Ingots; Electrode quality carbon steels; Forging quality carbon steels; Cold Heading quality carbon steel; etc.—18,000 tonnes p.a.—(COB)

M/s Rishabh Ispat Ltd; 82, Joshi Road, New Delhi.—(Solan-Himachal Pradesh)—M.S. Ingots; Electrode quality carbon steels; Forging quality carbon steel; Colds Heading quality carbon steels; etc.—16,000 tonnes p.a.—(COB)

M/s Ganesh Ispat & Alloys Industries Ltd; 9604, Mundewalan, Sadar Thana Road, New Delhi.—(Alwar-Rajasthan)—M.S, Ingots; Electrode quality carbon steels; Forging quality carbon steels; Cold Heading quality carbon steels; etc.—18,000 tonnes p.a.—(COB)

M/s Sarda Industries (P) Ltd; 4-Digamber Jain Road, Calcutta.—(Jaipur/Calcutta-Rajasthan/West Bengal)—Mild Steel Wires-Jaipur Unit—300 tonnes p. a.; Calcutta Unit—100 tonnes p.a.—(COB)

M/s Marathwada Alloy Steels Co. Ltd; 30-Dr. D.N. Road, Fort, Bombay.—(Aurangabad-Maharashtra)—M. S. Ingots; Electrode quality carbon steels; Forging quality carbon steels; etc.—14,000 tonnes p.a.—(COB)

M/s Asian Steel Industries Ltd; Moulaali, Hyderabad.—(Moulaali, Hyderabad-AP.)—Mild Steel & High Carbon Wires (Ungalvanised)—9150 tonnes p.a.—(COB)

M/s Rajhans Steel Ltd; 16, Ganesh Chandra Avenue, Calcutta-13.—(Santhal Parganas-Bihar)—M.S. Ingots, Electrode quality steel; Forging quality carbon steels; Cold heading quality carbon steels; etc.—7,000 tonnes p.a.—(COB)

M/s Sri Seetha Ram Anjaneya Durga Steels Pvt. Ltd; Rajahmundry, Andhra Pradesh.—(Tirupathi, Chittor, A.P.)—M.S. Ingots; Electrode Quality Carbon Steels; Forging quality carbon steels; Cold Heading quality carbon steels; etc.—5,500 tonnes p.a.—(COB)

Metallurgical Industries (Non-Ferrous)

M/s Indian Standard Metal Co. Ltd; I.S.M. Estate, Chinchpokli Cross Lane, Bombay-27.—(Bombay-Maharashtra)—Aluminium Die Castings of sizes above 4 Kgs.—410 tonnes p.a. (after expansion)—(SE)

Electrical Equipments

M/s Kirloskar Pneumatic Co. Ltd; Hadapsar Industrial Estate, Poona-13.—(Poona-Maharashtra)—Air Conditioning & Refrigeration Equipment for Transport.—600 nos. p.a.—(NA)

M/s Electronics Corpn. of India Ltd; Industrial Development Area, Cherlapalli, Hyderabad-40.—(Hyderabad-Andhra Pradesh)—Power Line Carrier Equipment—100 nos. p.a. Frequency Shift Equpment—25 nos. p.a.—(NA)

M/s Electronics Corpn. of India Ltd; Hyderabad.—(Hyderabad-Andhra Pradesh)—Nickel Cadmium Calls—50,000 nos. p.a. (after expansion)—(SE)

M/s Philips India Ltd; Shiv Sagar Estate, Block-A, Dr. Annie Besant Road, Worli, Bombay.—(Loni-Poona-Maharashtra)—Variable Gang Condensors—22,50,000 pcs. p.a.—(SE)

M/s Armcess Engineers (P) Ltd; SUP-A 8 & 9, Industrial Estate, Madras.—(Madras Tamil Nadu—Tap Recorders —10,000 nos. p.a.—(NU)

M/s Electra (India) Pvt. Ltd: Industrial Area, Partapur, Meerut.—(Meerut-UP)—Power & Distribution Transformers upto 33 KV/5MVA—1,50,000 KVA p.a.—(COB)

Telecommunications

M/s Electronics Corpn. of India Ltd; Industrial Development Area, Hyderabad.—(Hyderabad-Andhra Pradesh)—Antennae with Feld (of various sizes)—250 nos. p.a. (after expansion)—(SE)

Transportation

M/s Sussen Textile Bearings Ltd; National Highway No. 8, Baroda.—(Baroda-Gujarat)—Antifriction Assemblies for Water Pumps of Automobiles/Tractors—3 lakh nos. p.a.—(NA)

Industrial Machinery

M/s Shalimar Wires & Industries Ltd; 27-A, Camac Street, Calcutta-16.—(Uttarpara-West Bengal)—Fourdenier Wire Cloth—1,50,000 sq. meters p.a. (after expansion)—(SE)

M/s Paper Machine Wire Industries Pvt. Ltd; 73, Industrial Area, Nasik, Maharashtra.—(Nasik-Maharashtra)—Fourdrinier Wire (Metalic and Synthetic—48,800 sq. mtrs. p.a. (after expansion)—(SE)

Shri Wazir Chand Kawatra, C-44, Cinema Road, Batala.—(Atlas Engg. Industry) (Gurdaspur-Punjab)—Diesel Engines (Upto 15 HP)—750 nos. p.a.—(COB)

M/s Usha Telehoist Ltd; Princep Street, Calcutta.—(Faridabad-Haryana)—Hydraulic Pumps—80,000 nos. p.a; Control Valves—60,000 nos. p.a.—(SE)

Machine Tools

M/s Wesman Engg. Co. Pvt. Ltd; 1/2, Allenby Road, Calcutta.—(Dum Dum-24-Parganas, West Bengal)—Industrial Furnaces—Rs 6 crores after expansion p.a.—(SE)

Fertilizers

M/s National Fertilizers Ltd; C-94, N.D.S.E. Part-II, New Delhi.—(Batinda, Punjab)—Ammonia—2,97,000 tonnes. Urea —5,11,000 tonnes Sulphur (By-product)—8,250 tonnes.—(NU)

Chemicals

M/s Shri Ishar Alloy Steels Pvt. Ltd: (Gas Division) Sector-D, New Industrial Area, Sukhalia, Sonwar Road, Indore.—(Indore-Madhya Pradesh)—Oxygen Gas—4,50,000 Cu.M.—(NU)

M/s Phillips Carbon Black Ltd; 160, Jor Bagh, New Delhi.—(M/s Oriental Carbon Ltd.) (Ghaziabad-U.P.)—Carbon Black (Furnace Type)—9,000 tonnes p.a.—(NU)

Shri Kewal Krishan Sethi, Sethi Niwas, C/285, Defence Colony, New Delhi-3.—(Ghaziabad-U.P.)—Oxygen Gas—0.45 M.C.M. Acetylene Gas—0.10 M.CM.—(NU)

M/s Hercules Chemical & Cardide Ltd; 8-Dalhousie Square East, Calcutta.—(Gokak, Belgaum, Karnataka)—Calcium Carbide—14,850 tonnes—(NU)

M/s Shalimar Paints Ltd; 13-Camac Street, Calcutta.—(Bangalore-Karnataka)—Paints, Enamels, Varnishes & N. C. Lacquers —6,000 tonnes. Synthetic Resins (for captive Consumption only)—600 tonnes.—(NU)

M/s Sturdia Chemicals Ltd; Neville House, Graham Road, Ballard Estate, Bombay—(Gujarat)—Citric Acit—3,000 tonnes p.a.—(NA)

Drugs and Pharmaceuticals

M/s Ranbaxy Laboratories, Pvt. Ltd; Okhla New Delhi.—(Delhi)—Rifampicin Capsules (150 MG)—10 lakhs & (300 MG) —4 lakhs p.a. Rifampicin Syrup—100/mg/5. ml.—750 litres p.a. —(NA)

M/s Chemical Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasis Road, Byculla, Bombay.—(Bombay-Maharashtra) —Trimethoprim B.P.—600 Kgs. p.a. Sulphamethoxazole—3 tonnes p.a.—(NA)

M/s Gluconate Ltd; 23, Camac Street, Calcutta.—(Nagpur-Maharashtra)—Pethidine Hydroonloride—500 Kgs. (after expain) —(SE)

Textiles

M/s Sri Annapurna Cotton Mills Ltd; P-10, New Howrah Bridge Approach Road, Calcutta-1—(Calcutta-West Bengal)—Cotton Cloth—100 automatic looms.—(SE)

M/s J.K. Synthetics Ltd; Kaml. Tower, Kanpur,—(Kota-Rajasthan)—Nylon Tyre Yarn Fabrics—800 tonnes p.a.—(NA)

M/s Textile Processing Corpn. of India Ltd; Budge-Budge, Calcutta.—(Calcutta-West Bengal)—Processing of Cotton & Blended Textiles—43.5 Mill. mtrs. p.a.—(NU)

M/s Vishwa Bharati Spg. & Weaving Co-operative Society Ltd; Bhiwandi, Thana, Maharashtra.—(Bhiwandi-Maharashtra) —Cotton Yarn—50,280 spindles. (after expansion)—(SE)

M/s Shri Ramalinga Choodambikai Mills Ltd; Tirpur.—

(Tirpur-Tamil Nadu)—Cotton Cloth—200 Automatic looms of indigenous make. (after expansion).—(SE)

M/s The Bihar State Indusirial Development Corpn. Ltd; Bandar Bagicha, Patna.—(Siwan-Bihar)—Cotton Yarn—25,000 spindles.—(NU)

M/s The Bihar State Industrial Development Corpn. Ltd., Bandar Bagicha, Patna.—(Madhubani-Bihar)—Cotton Yarn—25,000 spindles p.a.—(NU)

Paper & Pulp

Shri R.K. Jain, 123 Guldhar, Meerut Road, Ghaziabad.—(Ghaziabad, Meerut, U.P.)—Packing, Wrapping & Corrugated Papers & Boards—3,650 M.T. p.a.—(NU)

M/s U.P. Straw & Agro Products Ltd; 13-Civil Lines, Bareilly.—(Moradabad-U.P.)—Corrugating Medium—10,000 tonnes p.a.—(NU)

M/s Wainganga Paper Mills Ltd; D-38, Greater Kailash-1 New Delhi-48.—(Balaghat-M.P.)—Pulp & Paper—20,000 tonnes p.a.—(NU)

Sugar

M/s The Deccan Sugar & Abkhari Co. Ltd; Dare House, Parry's Corner, Madras.—(Pugalur-Tamil Nadu)—Sugar—2,500 tonnes of sugar cane crushing capcaity per day.—(after expansion) (SE)

M/s Sonepat Co-operative Sugar Mills Ltd; Soneput, Distt. Rohtak.—(Sonepat-Haryana)—Sugar—1,250 tonnes p. day came crushing capacity.—(NU)

M/s Aruna Sugars Ltd; Pennadam, Distt. South Arcot, Tamil Nadu.—(Pennadam, S-Arcot, Tamil Nadu)—Sugar—4,000 tonnes per day cane crushing capacity.—(after expansion) (SE)

Fermentation Industries

M/s Mount Shivalik Breweries Ltd; V & P.O. Bhankarpur, Distt: Ropar—(Ropar-Punjab)—Beer—50,000 Hecto Litres.—(COB)

M/s Devana Modern Breweries Ltd; Dehri Talab Tillo, Jammu-2.—(Jammu-J & K)—Beer—23,400 Hecto Litres p.a. (COB)

M/s Associated Breweries & Distilleries, Mehar House, Ist Floor, 15, Cawasji Patel Street, Bombay-1.—(Cortalam-Goa)—Bear—20,000 Hecto Litres.—(COB)

M/s Mysore Breweries Ltd; Yashwantpur, Bangalore.—(Yashwantpur-Karnataka)—Beer—50,000 H. Litres. p.a.—(COB)

M/s Aurangabad Breweries Ltd; 118, Jelly Bhavan No. 1, 10-New Marine Lines, Bombay.—(Aurangabad-Maharashtra)—Beer—50,000 Hecto Litres.—(COB)

Rubber Goods

M/s Supreme Rubber Reclaimers Pvt. Ltd; 156-A Gollerkeri Street, Mangalore-1.—(Bondel, Mangalore. Karnataka)—Reclaimed Rubber—1,500 tonnes p.a.—(NU)

M/s T. Maneklal Mfg. Co. Ltd; Vaswani Mansion, Dinshaw Vachha Road, Bombay-20.—(Ahmedabad-Gujarat)—Expansion Joints & Flexible Cannextions—10 tonnes p.a.—(NA)

Letters of Intent

Metallurgical Industries (Ferrous)

Shri Rajinder Kumar Aggarwal, G. T. Road, Meeran Ghati, Karnal.—(Karnal-Haryana)—Machine Screws (Self tapping and specialised type)—500 tonnes p.a.—(NU)

Shri Manubhai C. Patel, 21-Meghdoot Society, Kareli Baug, Baroda.—(Gujarat)—O.T.S. Cans—7,000 tonnes p.a; Battery Jackets—500 tonnes p.a.—(NU)

M/s Man Industrial Corpn. Ltd; Near Loco, Jaipur.—(Jaipur-Rajasthan)—Ferrous & Non-Ferrous Forgings—6,000 tonnes p.a.—(SE)

Shri Narinder Nayar, Fair Haven, Doongersi Road, Malabar Hill, Bombay.—(Maharashtra)—Specialised Pipe Fittings—4,000 tonnes p.a.—(NU)

Shri N. K. Jain, 190, Civil Lines (North) Muzaffarnagar.—(Alwar-Rajasthan)—Centrifugal Alloy Castings—500 tonnes p.a; Alloy Steel Castings—500 tonnes p.a.—(NU)

M/s Precision Metal Industries, Delhi (Shri Chandra Mohan Arya), 8/84, Punjabi Bagh, Delhi.—(Delhi)—Ferrous & Non-Ferrous Tubes—500 tonnes p.a.—(NU)

M/s D. L. Miller & Co. (P) Ltd; 3-Netaji Subhas Road, Calcutta.—(Uttar Pradesh)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

Shri G. M. Surana, c/o M/s Surana Industries, Mahatma Gandhi Road, Secunderabad.—(Andhra Pradesh)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

Shri Mahinder Kumar Gupta, 245-A, Old Tharagpet, Bangalore.—(Karnatrka)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

M/s Steel Tubes of India Ltd; 27/34, Industrial Estate, Indore-3.—(Madhya Pradesh)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

M/s Samsher Singh, c/o Kuldip Singh & Bros; Hauz Qazi, Delhi-6.—(Delhi)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

M/s B. K. Extrusions, 'Nirman', East West Road No. 2, Juhu-Parle Scheme, Bombay.—(Maharashtra)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

M/s Ganges Steel Mfg. Co., (India) (P) Ltd; 23/24, Radha Bazar Street, Calcutta-1.—(West Bengal)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

M/s Andhra Pradesh Indl. Development Corpn. Ltd; B-1-174, Fateh Maiden Rd; P.B. No. 13, Hyderabad.—(Andhra Pradesh)—Alloy & Heavy Duty Iron Castings including Automobile Castings—15,000 tonnes p.a.—(NU)

Shri S. Maruthasalam, Jey Dry Batteries Pvt. Ltd; 3(1) S.D.R. Colony, Gopichettipalayam, Erode, Tamil Nadu.—(Tamil Nadu)—Dry Cells—60 mill. nos. p.a.—(NU)

M/s Automatic Electric Pvt. Ltd; Rectifier House, 570, Nargaun Road, Post Box No. 7103, Bombay.—(Bombay-Maharashtra)—Current & Potential Transformers of 200 K. V. Range—120 nos. p.a.—(NA)

M/s N.G.E.F. Ltd; Bangalore.—(Bangalore-Karnatak)—Thyristors—16,000 nos. p.a; Thyristor Convertors for Industrial Controls—Rs. 250 lakhs; Thuiostor Control Systems for Industrial Use—Rs. 250 lakhs p.a.—(NA)

Shri U. K. Choudhry, 314, Jodhpur Park, Calcutta-31.—(Calcutta-West Bengal)—Fan Capacitors—30,000 nos. p.a: Flourscent & other discharge lighting capacitors—30,000 nos. p.a; Motor capacitors—20,000 nos. p.a.—(NA)

Shri W. P. Karnik, 12-B, Connaught Road, Poona-1.—(Maharashtra)—Mineral Insulated Cables—2 Mill. core metres p.a.—(NU)

Shri Surinder Vasudeva, 109-A, Model Town, Yamunanagar.—(Jagadhri, Ambala, Haryana)—H. T. Capacitors—70,000 nos. p.a; L.T. Capacitors—25,000 nos. p.a; Medium Frequency Capacitors—20,000 nos. p.a.—(NU)

M/s W. S. Insulators of India Ltd; Madras.—(Bangalore-

Karnataka)—Telemetring Equipment—35 sets p.a; Power Line Carrier Equipment—40 nos. p.a.—(NA)

M/s Sree Thirumalai Electronics Pvt. Ltd; R. Muthu Gounder's Colony, Harur, Distt: Dharmapuri, Tamil Nadu.—(Dharmapuri-Tamil Nadu)—Metallised/Plain Plastic Film Capacities—10 Mill. nos. p.a.—(NU)

M/s Pioneer Electric Furnace Manufacturers (Successors to Electrotherm Industries), G.I.D.C. Industrial Estate, Vithal Udog Nagar, Vallabh Vidyanagar, Kaira Distt,—(Anand-Kaira-Gujarat—Electric Melting & Heating Furnaces—25 nos. p.a; Heat Treatment Furnaces—Rs. 50 lakhs p.a.—(NU)

M/s The General Electric Co. of India Ltd; Magnet House, 6-Chittarangan Avenue, Calcutta.—(Naini-U.P.)—(i) Special Purpose Transformers upto 33 KV.—285 MVA p.a; (ii) Reactor upto 132 KV—55 MVA p.a.—(SE)

M/s Jyoti Ltd; P.O. Chemical Industries, Baroda-3.—(Baroda-Gujarat)—Generators—1,53,600 K.W. for ranges upto 6000 K.W.—(SE)

M/s Gystronics, Division of M/s Sarabhai M. Chemicals & Electronics (P) Ltd; 89-92, Naroda Industrial Area, Ahmedabad.—(Ahmedabad-Gujarat)—Attenuators/Faders—100 nos; Pulse Genetators—100 nos; Pattern Generators—200 nos; Transister Testors—100 nos; Frequency Counters—100 nos; Digital Voltmeters—100 nos; Function Generators—100 nos; Distortion Factor Meters—100 nos; Electrophorers Apparatus—100 nos.—(NA)

Transportation

Shri Natver G. Oza, 6-Mani Nivas, Lady Hardinge Road, Bombay.—(Surendranagar-Gujarat)—Oil Seals—2 mill. nos. p.a.—(NU)

M/s Bharat Gears Ltd; Allahabad Bank Building, 17-Parliament Street, New Delhi.—(Bombay-Maharashtra)—Crank Shafts—30,000 nos. p.a.—(NA)

Industrial Machinery

M/s Etscheid India Pvt. Ltd; 1/8, Prince Golam Mohd. Road, Calcutta.—(Hoogli-West Bengal)—Cooling Tank type KW 250 capacity 258 litres—720 nos; Cooling tank type KW 500 Capacity 516 litres.—576 nos; Cooling tank type KW 1000 capacity 1024 litres.—432 nos; Cooling tank type KW 2000 Capacity 2040 litres. 288 nos; Cooling tank type KW 5,000 capacity 50—180 nos; Cooling tank type KT 108000 capacity 10800—48 nos; Cooling tank type KT, 20,000 capacity 20,000—24 nos—(NU)

M/s Gupta Engineering Works, 4-Sidhpura Industrial Estate S.V. Road, Goregaon(W), Bombay-62,—(Bombay-Maharashtra)—Single Bed Cardmatic Hand Knitting Machine—30,000 sets p.a; Double Bee Hand Knitting Machine—15,000 sets p.a; Rib Knitting attachment—15,000 sets p.a.—(NU)

M/s J.K. Synthetics Ltd; Kamla Tower, Kanpur.—(Kanpur-U.P.)—Draw Twisting Machines for Synthetic Fibre Industry—30 nos. p.a.—(NA)

Machine Tools

M/s Indian Sugar & General Engg. Corpn. (Prop:Saraswati Industrial Syndicate Ltd.), Yamunanagar.—(Yamunanagar-Haryana)—Press Brakes & Guillotine Shears—50 nos. p.a.—(NA)

Engineering Indusiries

Shri Vallabh Glass Works Ltd; Anand-Sojitra Road, Vinyanagar.—(Anand-Kaira-Gujarat)—Polyvinyl Butyral Eoils—0.75 million Sq. meters. p.a.—(NA)

Shri D. Vijayaraghav & Sons, 767, 36th Cross, IV-T Block, Jayanagar, Bangalore-11.—(Hosur, Dharmapuri,-Tamil Nadu—Hard Metal & Hard Metal Products—50 tonnes p.a.—(NU)

Shri K-46, 2nd Floor, Connaught Circus, New Delhi.—(Khopoli, Kolaba, Maharashtra)— p.a.—(NU)

Shri Anil Bahl, 208, Rouse Avenue, New Delhi.—(Faridabad Haryana)—Forged Hand Tools—3,000 tonnes p.a. (NU)

M/s Widia (India) Ltd; 8/9th Mile, Tumkur Road, Post Bag 2280, Yeswanthpur, Bangalore.—(Bangalore-Karnataka)—Hard Metal & Hard Metal Products including Tungsten carbide products Allied materials, tipped tools including multi point tools & mining tools—52 tonnes taking the post expansion annual capacity for civilian use to 100 tonnes p.a.—(SE)

Chemicals

M/s Fertilizer Corpn. of India Ltd; Ramagundam Unit, P.O. Godavari Khani, Distt: Karim Nagar, Andhra Pradesh.—(Andhra Pradesh)—Argon Gas—0.96 M.C.M.—(NA)

M/s Maharashtra Vegetable Products (P) Ltd; Dhulia, Maharashtra.—(Dhulia-Maharashtra)—Oxygen Gas—2,50,000 C.M.—(NA)

M/s Cloth Traders Pvt. Ltd; 253, New Cloth Market, Ahmedabad.—Kalol, Mehsana, Gujarat)—Glyoxal (40%)—750 M.T.—(NU)

M/s Government Soap Factory, Bangalore.—(Bangalore-Karnataka)—Sodium Tripolyphosphate—30,000 tonnes p.a.—(NA)

The Managing Director, U. P. State Development Corpn. Ltd; Director of Industries Building, 117/420, G. T. Road, Kanpur-2.—(Mizopur-U.P.)—Sodium Tripolypeosphate-30,000 tonnes p.a. (NU)

Shri M. K. Gupta, 36/1, Punjabi Bagh, New Delhi.—(Ranchi-Bihar)—Potassium Chlorate—4,500 tonnes p.a.—(NU)

M/s Indian Aluminium Cables Ltd; Kanchenjunga Building, (7th Floor), 18-Bharakhamba Road, New Delhi.—(Ghaziabad' Meerut, U.P.)—Wire Enamels/Impregnating Varnishes—3,000 tonnes p,a. (NA)

Shri Surjit Singh, 12/26, East Patel Nagar. New Delhi.—(Ludhiana-Punjab)—Sulphuric Acid—16,500 tonnes p.a.—(NU)

M/s Universal Chemicals & Industries Pvt. Ltd; 317, Neelam, 3rd Floor, 108, Worli Sea Face Road, Bombay.—(Thana-Maharashtra)—Sodium Chlorate—1,500 tonnes p.a.—(NA)

Drugs & Pharmaceuticals

M/s Indian Drugs & Pharmaceutieals Ltd; N-12, N.D.S.E. Part-1, New Delhi-49.—(Andhra Pradesh)—Indomathacin Capsules—60 mill. nos. p.a; Sulphamethexy Pyrdiazine tablets—100 mill. nos. p.a; Frusemide Tablets—25 mill. nos. p.a; Methyl Depa Tablets—20 mill. nos. p.a; Phtalyl Sulphathiazole Tablets—120 mill. nos. p.a; B-Complex Forte tablets—40 mill. nos. p.a; Cheable Vitamin tablets—50 million nos. p.a.—(NA)

Paper & Pulp

M/s Gogte Minerals, 'Empress Court, 126, Backbay Reclamation, Bombay.—(Maharashtra)—Dissolved Pulp—30,000 tonnes. Polynesic Staple Fibre—27,000 tonnes p.a: Carbon Disulphide (intermediate for item 2 above)—10,000 tonnes—(NU)

M/s Abaskar Construction (P) Ltd; 26-Curzon Road, New Delhi.—Nadia-West Bengal)—Wrapping Paper & Fluting Media and Liner—4,000 tonnes p.a. (NU)

Shri Mahadeo Prasad Jhunjhunwala, c/o. M/s Sohan Lal Pachisia & Co., 16-India Exchange Place, Calcutta-1.—

(Hooghly-West Bengal)—Unbleached Paper—4,500 tonnes p.a.—(NU)

Shri Gopal Daga, 168-B, Jamunalal Bajaj Street, Calcutta—(Midnapur-West Bengal)—Paper (Industrial Papers such as Wrapping & Packing Paper & Paper & Boards)—6,000 tonnes p.a.—(NU)

Shri N. K. Dabriwala, A-1/34, Safdarjung Enclave, New Delhi.—(Karnal-Haryana)—Unbleached Paper—5,000 tonnes. p.a.—(NU)

Shri Kamlesh Kumar Rathi, F-7-A, Hauz Khas Enclave, New Delhi.—(Pattancherru, Andhra Pradesh)—Writting, Printing Wrapping Papers & Boards—15,000 tonnes p.a.—(NU)

Shri M.P. Khemka, 114, Chittaranjan Avenue, Calcutta-7.—(Purulia/Nadia, West Bengal)—M.G. Kraft, Writing, Printing Duplicating Paper, etc.—7,500 tonnes p.a.—(NU)

Shri Bishwanath Pasari, 3796, Chawri Bazar, Delhi-6.—(Chandrapur-Maharashtra)—Paper—5,000 tonnes p.a. (NU)

Shri Parmeshwar Gauridutt Mittal, Lentin Chambers, 5th Floor, Dalal Street, Fort, Bombay.—(Aurangabad-Maharashtra—Kraft Paper—5,000 tonnes p.a.—(NU)

Shri Mayank Kumar Poddar, 24/B, Park Street, Calcutta.—(Midnapur-West Bengal)—M.G. Kraft Paper—7,500 tonnes p.a; Wrapping Paper, M.F. Paper including Bond Paper, Tissue Paper, etc.—7,500 tonnes p.a; Total: 15,000 tonnes p.a.—(NU)

Shri Chiranjilal Biyani, N-203, Greater Kailash, New Delhi.—(Jhalawar-Rajasthan)—Paper (Industrial papers such as Wrapping & Packing papers and paper boards)—6,000 tonnes p.a.—(NU)

M/s New Prahlad Mills Ltd; 55-Apollo Street, Fort, Bombay.—(Solan-Himachal Pradesh)—Packing and Wrapping Papers and Boards—11,000 tonnes p.a.—(NU)

Shri Narendra Kumar, 20-British Indian Street, Calcutta.—(Pvrlia-West Bengal)—M.G. Kraft, Writing, Printing, Duplicating, Cartridge. Bank and Bond Papers, etc.—7,500 tonnes p.a.—(NU)

Shri V.L.N. Madhusudan 136/24, P.G. Road, Secunderabad—(Kurnool-Andhra Pradesh)—Kraft Paper 9,000 tonnes p.a; Writing & Printing Paper—4,500 tonnes p.a.—(NU)

Shri Bijay Nandan Patodia, 11/1, Heysham Road, Calcutta.—(Karnataka)—Paper consisting of Kraft, Packaging, Wrapping Corrugating Mediums—5,000 tonnes—(NU)

Shri K.K. Maheshwari, 36-L. Jagmohandas Marg, Bombay.—(Kolaba-Maharashtra)—Paper (Corrugating Media/other varieties)—5,000 tonnes p.a.—(NU)

Food Processing Industries

Shri J.V. Muthye, Madhu Millan, Patil Wadi, Ranade Road Extn., Dadar, Bombay.—Delhi—High Protein Biscuits for infants—5,000 tonnes p.a.—(NU)

Vegetable Oils & Vanaspati

Shri P. C. Mutha, Mg. Dir., M/s Vippy Solvex Products Pvt. Ltd; Saket, Chhota Sarafa, Ujjain.—(Dewas-Madhya Pradesh)—Cotton Seed Oil—20,000 tonnes p.a.—(NA)

Rubber Goods

M/s The East India Rubber Works (Pvt.) Ltd; 161, Chittaranjan Avenue, Calcutta-7.—(Lilloah, Howrah, W-Bengal)—Transmission Delting—504 M. tonnes p.a; Conveyor Belting—1,080 M. tonnes p.a.—(SE)

M/s Premier Tyres Ltd; Merchant Chamber 41, New Marine Lines, Bombay.—(Kalamassery-Alwaye, Kerala)—Camelback & Repair materials—2,500 tonnes p.a.—(NA)

Glass

M/s Modern Fibre Glass Manufacturing Co., 60/61, Madhubhan Apartment, Flat No. 24-A, Worli Hills, Bombay-18.—(Kurnool-Andhra Pradesh)—Fibre Glass—2000 tonnes p.a.—(NU)

Shri Raj Kumar Parshotam Nath Jain, c/o Peeraj Agencies Pvt. Ltd; 5625, Qutab Road, New Delhi.—(Delhi/Haryana)—Fibre Glass—2000 tonnes p.a.—(NU)

Shri M. A. Palaniappa Chettiar, Mg. Director, The Jawahar Mills Ltd; Salem-5.—(Dharmapuri-Tamil Nadu)—Fibre Glass—2000 tonnes p.a.—(NU)

M/s Rahi Glass Ltd: Promoter; N. Chandra, C-50, Defence Colony, New Delhi-24.—(Maharashtra)—Fibre Glass—2,000 M. tonnes p.a.—(NU)

M/s Gujarat Fibre Glass Manufacturing Company, 52/53, Vithal Udyognagar, Kaira, Gujarat.—(Kaira-Gujarat)—Fibre Glass—2,000 tonnes p.a.—(NU)

Shri P. Obul Reddy, 31, General Patters Rd; Madras-24.—(Tamil Nadu)—Fibre Glass—2,000 tonnes p.a.—(NU)

M/s Andhra Pradesh Industrial Dev. Corpn. Ltd; Shakar Bhawan, Ground Floor, B-I-174, Fateh Maidan Road, Post Box No. 13, Hyderabad.—(Menboobnagar-Andhra-Pradesh)—Fibre Glass—2,000 tonnes p.a.—(NU)

M/s Industrial Aides, 96, Basin Road, Post Box No. 2286, Tirubottiyur, Madras-19.—(Dharampuri-Tamil Nadu)—Fibre Glass—2,000 tonnes p.a.—(NU)

M/s Swan Mills Ltd; Hindustan Time House, 12th Floor, Kasturba Gandhi Marg, New Delhi.—(Uttar Pradesh)—Fibre Glass—2,000 tonnes p.a.—(NU)

M/s R. Sen & Company, 10/1, Elgin Road, Calcutta.—(West Bengal)—Fibre Glass—2,000 tonnes p.a.—(NU)

Ceramics

Shri J. P. Mehta, Suryamahal No. 1, Bhavnagar.—(Bhavnagar-Gujarat)—Refactory Grade Magnesite—45,000 tonnes p.a.—(NU)

Change in Names (Owners/Undertaking)

(Information pertains to particular licences only)

From M/s Sudershan Engg. Pvt. Ltd. to M/s Universal Cans & Containers Ltd; Bombay.

From M/s Motilal Padampat Sugar Mills Co. Ltd: Kanpur. to M/s Motilal Padampat Udyog Limited; (Sugar Mills Branch) Kanpur.

From Shri G. D. Shah, M/s Siddhartha Steels Ltd; Calcutta. to M/s Siddhartha Ferro Alloys Ltd; Calcutta.

Letters of Intent Revoked, Lapsed or Cancelled

(Information pertains to particular letters of intent only)

M/s Burn & Company Ltd; P. Box No. 2, Howrah, (West Bengal)—Agricultural Tractors.

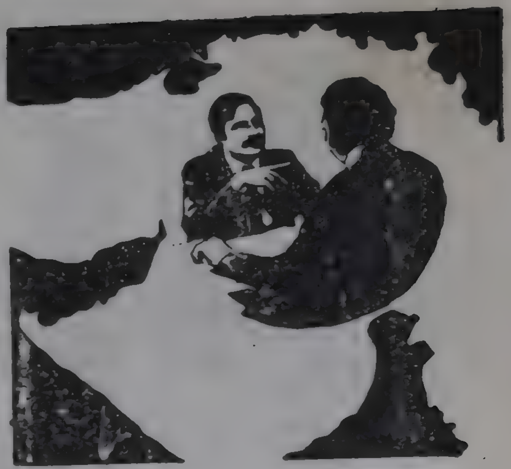
M/s Abohar Cotton Company Ltd; 59, Golf Links, New Delhi.—(Uttar Pradesh)—Reclained Rubber.

M/s Vegetable Industries & Products (India) Pvt. Ltd; New Delhi.—(Delhi)—Food & Vegetabte Protein Products.

M/s Shri Ambica Machinery Manufacturers (A Division of Shri Ambica Mills Ltd.) Ahmedabad.—(Gujarat)—Petrol Engines.

M/s Northern Dairies India Ltd; 6, Panch Sheel Marg, New Delhi.—(Rajasthan)—Milk Powder.

M/s Hindustan Copper Ltd; Industry House, 10, Camac Street, Calcutta.—(Rajasthan)—Cryolite.



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MADE IN U.K
hmt
MINI-CHUCKER
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HMT earns pride.

Because Indian know-how, Indian technology and Indian designs are now being imported. By the UK.

That's certainly reversing a trend.

Yes, one of the most famous international names in machine tools manufacture, Wickman of UK, have signed a 10-year licensing agreement with HMT.

This means Wickman will manufacture the HMT Minichucker.

And by providing the design and know-how, HMT has started a new kind of brain-drain—one to be encouraged.

In order to meet their own specific marketing needs, Wickman collaborated with HMT to provide additional machining cycles, compact and better hydraulics, facilities for mounting a chip conveyer, tool setting facilities, efficient chip guard and coolant systems.

This is how the most successful developments take place.

With customer participation.

The suggestions, advice and participation of both big and small-scale industries resulted in improving existing machines as also developing new ones.

This, in turn, resulted in HMT machine tools becoming even more effective and versatile. And also more acceptable to potential customers.

Yes, it certainly takes two to match skills to needs.

You and HMT.

That's the HMT way to self-reliance.

**We make the machine tools.
You help us make them better.**

hmt

HINDUSTAN MACHINE TOOLS LIMITED
36 Cunningham Road, Bangalore 560 052

THE SCINDIA STEAM NAVIGATION COMPANY LIMITED

ummary of speech of Shri Krishnaraj M. D. hackersey, Chairman, The Scindia Steam lavigation Co., Ltd., made at the 55th Annual eneral Meeting of the Shareholders on Wednes- ay, the 18th December 1974, at Patkar Hall, ombay.

You would be pleased to bserve that the Company's erformance during the year nder review has been very ood. The Freight and charter ire earnings have risen from s. 54.01 crores to Rs. 65.49 ores, increasing the gross rofit from Rs. 12.32 crores to s. 15.26 crores, leaving a ecord net profit of Rs. 8.21 rores as compared to Rs.6.19 rores of the last year.

The Directors have recom- nended a dividend of 12% n the face value of the shares e. Rs. 2.40 per share, this eing the maximum possible ividend declarable under the Companies (Temporary Res- rictions of Dividends) Act, 974. The full dividend is ubject to tax. The reserves nd surplus of the Company ow stand at Rs. 31.5 crores s against Rs. 26.7 crores t the end of the previous ear.

The oil prices continued o rise streeply, notably bet- ween October 1973 and February 1974, shooting up ab- normally the fuel cost of ships. Ships suffer undue delays not only in Indian ports but also n foreign ports, adding subs- tantially to operational cost. Shipping being international n operation has had to bear he brunt of global inflation, esulting in the rising costs of tevedoring, labour, oil, port harges, repairs etc. which are eyond the control of shipping ines. The shipping conferences ave often had to adjust the reight rates with a view to neutralising such rise in costs as much as possible.

The Company keeps in check the operational costs, ensuring economy & introducing innovations in cargo handling and ocean transportation, adopting unitisation as far as possible. In its India/U. K. Continent Service the Company provided ships to lift full loads of palletised chests of tea from Calcutta. The Company's vessels also lift palletised tea and rubber from Cochin in and rubber from Malaysian ports and singapore. Consideration is given to lift cotton piece goods in pallets.

The new ships acquird by the Company are designed to carry containers. The Company's vessels in India/U.S.A. Pacific route, have been catering to containerised traffic between Singapore, Taiwan and Hong Kong and the Pacific Coast ports since 1971/72. This facility can be extended to Indian ports as containerised traffic develops from India.

In our tramping sector, the Company's bulk carriers were fully employed, the dry cargo freight market being good throughout the year.

The Company's acquisition programme is going ahead. It took delivery of one Emden-built bulk carrier "Jalvallabh" of 53,500 DWT. One bulk carrier of 75,000 DWT is on order with M/s. Scott Lithgows Ltd., Port Glasgow, expected to be delivered in the last quarter of 1976.

The Suez Canal is likely to be re-opened for navigation before June 1975. Its re-opening depends on how soon congenial political climate is created and necessary international agreements are secured. The utilization of the canal by shipping will depend upon the level at which the Suez Canal dues are fixed.

It is gratifying that our Government have tentatively fixed an ambitious shipping target of 9.64 million gross registered tons, including 1 million tons on order, to be achieved by end of the Fifth Five Year Plan. Such unprecedented expansion efforts call for elastic availability of rupee and foreign exchange resources, facilities to raise rupee and foreign exchange loans on commercially viable basis and special developmental incentives. In this context the Government's decision to discontinue the development rebate is retrograde step. Hitherto development rebate has been the one greatest incentive given to shipping and it has helped the Indian shipping industry to expand smoothly. The initial depreciation allowance proposed as an alternative to development rebate is not an adequate relief. I still feel that development rebate is the only answer to increase the tonnage and to achieve the target set in the Fifth Five Year Plan.

Drydocking and repairing facilities in India should be improved. The development of ports is very vital for efficient handling of the traffic passing through the ports. The traffic at Bombay port has outgrown the port's capacity and extensive development of the port at its present site is not feasible. Therefore, the proposed building up of a new port at Nhava Sheva across the Bombay harbour, with facilities to berth deep drafted vessels and to handle bulk cargoes and containerised traffic has to be expedited.

I take this opportunity to thank Shri Kamalapati Tripathi, the Minister for Shipping and Transport whose matured guidance and counsel have been of great value to the shipping industry. I would like to record our thanks to Shri P. K. Mukherjee, till recently the Deputy Minister, for his help to Indian shipping.

I have pleasure in welcoming Shri H. M. Trivedi, who has recently been appointed as the Minister of State for Shipping and Transport. I am sure, his rich administrative and shipping experience and knowledge will be of great help to the shipping industry.

Our sincere thanks are due to the Secretaries, Joint Secretaries and other officials in the Ministries of Transport and Finance, the Director General of Shipping and his officials as well as the officials of Transchart for their guidance, help and advice. I also thank the officials of the Shipping Development Fund Committee, Reserve Bank of India and other Government departments for their co-operation and assistance.

I convey our thanks to our patrons. shippers and other well wishers of the Company. I thank the Management, officers and staff, both ashore and afloat, and the agents at various ports for their service and devotion to duty.

Note :

This does not purport to be the proceedings of the annual general meeting of the company,

The Delhi Cloth & General Mills Co. Ltd.

Speech by Dr. Bharat Ram, Chairman, Board of Directors at the 86th Annual General Meeting of The Delhi Cloth & General Mills Co. Ltd., on December 30, 1974 at Delhi.

Dr. Bharat Ram

Ladies & Gentlemen,

While cordially welcoming you to this 86th Annual General Meeting of your Company, may I wish you all, who are present and all the shareholders, a happy and prosperous 1975.

The Directors' Report and the audited Statement of Accounts for the year ended 30th June 1974 have already been circulated. As you would have undoubtedly noted, the financial record is satisfactory; but it has not been possible to pass on the benefit to the shareholders. On the contrary, the dividend rate is considerably lower than last year, and this is so because of the Companies (Temporary Restrictions and Dividends) Act.

As per the provisions of this Act, Companies cannot pay dividends within India in excess of the distributable profits, which has been specified as one-third of the net profits of the Company for the financial year or an amount equivalent to 12% dividend on the face value of the equity shares of the company and the dividend payable on the preference shares, whichever is lower. According to Government, this restriction on dividends along with the Additional Emoluments (Compulsory Deposit) Act 1974 and the Compulsory Deposit Scheme (Incometax-payers) Act 1974 constituted a package to fight inflation.

I feel that the Companies (Temporary Restrictions and Dividends) Act could have been conceived in a more imaginative fashion. The provisions of this Act do not freeze dividends, but in fact result in the reduction of dividend payment. It is, therefore, not comparable with Additional Emoluments (Compulsory Deposit) Act, which impounds additional payments, but does not prohibit such payments being made. While the minimum dividend sum involved is estimated at only Rs 50 crore and is not likely to have an excessive influence on the demand factor, its impact on investment sentiment has been disastrous. Even the stated objective of Government could have been secured if Companies were allowed to pay dividends, as before the Act, but dividend in excess of that permitted by the present Act was to be compulsorily deposited in the company and made payable with adequate interest, say, 2½% over and above the Bank rate, after a period of two years. This would have given the shareholderst the satisfaction of having earned the dividends, and what is more important it would not have had a depressing influence on the new issue market. Similarly, the measure of credit squeeze was imposed rather illogically as it froze the borrowings of companies as on a particular date viz. October 31, 1973. The result of this has been that those companies who had managed their affairs well on that particular date, suffered most. In addition, those companies who had large seasonal requirements like Textiles, Vanaspati & Sugar, were put to great difficulties.

The high rate of inflation which has overtaken both the developed and developing countries during the last two to three years has provoked policy-makers in devising new forms of controls and regulations, which may help to stabilise the price level or at least minimise its rate of increase. Price-Incomes policy had in a way become a fashionable concept in many countries in the Western Europe, North America and lately in Latin America and even Africa. In reality, however, it did not prove to be a success.

In our own country, we have had the unhappy experience of price controls. These controls have been imposed for years now, mostly on commodities which are essential and where the supply is shorter than demand. We have seen how the very existence of such controls has discouraged investments and how even public financial institutions hesitate to extend loans if the prices are not remunerative. The consequence has been that in the very industries where supplies were required to be augmented, shortage conditions got perpetuated and aggravated.

Let us see why at all we in our country have got into an inflationary situation. It would be well to remember that inflationary pressures had developed even before the hike in oil prices. Whatever may be the causes for inflation in other countries, in India the fall in foodgrains production which is the principal item of mass consumption, was the starting point. The marketable surplus of foodgrains available for urban consumption shrinks in a greater proportion than the fall in production, because the farmers more or less maintain their level of consumption. Thus, even a small reduction in production tends to have a disproportionate impact on price levels. The same or similar kind of effect is produced by reduction in the production of other agricultural commodities like cotton, sugarcane, oilseeds, etc. The agro-based industries constitute the most important segment in our national economy, and their health or otherwise influences the price level of the products which are consumed by the common man. The increase in the prices of these commodities together with that of foodgrains leads to a rise in wage rates, the link being provided by dearness allowance. The demand-pull inflation which starts in the agricultural sector multiplies itself as it spreads into a cost-push inflation in other sectors.

In my view there are two principal reasons as to why agricultural production has not kept pace with the requirements. Firstly, the failure of monsoons in succession. Secondly and more important, it is because we have not given enough attention to the development of agriculture and the need to free ourselves from the vagaries of monsoon. The level of investment in agricultural development has been inadequate. The agricultural sector, which produces one-half of the national output was allotted less than one-fifth of the total Plan outlay in the Fourth Plan and less than one-sixth in the Second and Third Plans. The result is that we are exposed to floods and droughts, and are short of fertilizers, pesticides, electric power and a host of other inputs which contribute to production and productivity.

Other essential articles like cement, paper, which are in short supply are due to the wrong policies followed by Government both in respect of fixing prices at unremunerative levels and virtually discouraging people who are in a position to go ahead with expansion plans. The situation is particularly sad and tragic because in these industries we could have easily expanded production with domestic resources, and there was no question of importing either foreign capital or know-how.

Over the years the shortages in wage goods industries as much as in certain basic industries and in infrastructural facilities have occurred, primarily because management of both public and private sector undertakings is never allowed a free hand. While the former is hamstrung by bureaucratic regulations, the latter is subjected to an unbelievable mix of ideology and regulations in detail with the result that the overall major objective of speeding up economic growth has not been achieved.

We are thus faced today with a critical situation where two opposite forces are at work. On the one hand, the back of inflation has not yet been broken, and on the other there seems to be a beginning in the decline of economic activity, which may develop into a recession. I personally feel that the anti-inflationary measures adopted by Government were necessary, even though they have caused some difficulties. The question is as to how long Government should stick to these measures, and whether some adjustments have to be made, if only to ensure that the measures do not become counter-productive and result in creating new problems like wide-spread unemployment, which would be very dangerous. When dealing with two contrary trends, a delicate balance has necessarily to be struck. Stability and growth represent two sides of the same coin. One cannot be pursued at the expense of the other. This is neither possible, nor desirable. What is called for is the reorientation of policy on the principle that economy lies not so much in reducing expenditure, but in making wise expenditure decisions. It is, therefore, necessary in my opinion that while retaining a certain amount of control over credit, the Government must at the same time encourage investment in industries. Even the latest report of the Reserve Bank of India on Currency and Finance has pointed out that — "the problem of price inflation is also to be attributed in a wider context, to the long-term factors of low investment and low production". To achieve the maximum benefit out of investment, priorities for investment must be in agro-based industries and wage-goods industries. The other important field of investment must be in power, because the country has lost a good deal of production due to the existing capacities not being fully utilised because of power shortage.

If our country is now passing through a phase of unrest, the economic situation is largely responsible for it. This unrest is taking quite a few forms and is even manifest in Parliament and in some State Assemblies also. None of the unhappy events are isolated incidents, but all are connected like the links of a chain. Just as sedatives can temporarily relieve pain, but cannot cure the disease, the problems in our country have to be squarely met, instead of taking *ad hoc* measures and living in the hope that a good monsoon will do the trick.

I should, however, not be mistaken to be a pessimist. The problem of inflation cannot be solved merely by intellectual analysis or an intellectual answer. It requires a disciplining of thinking and behaviour on the part of all economic and political groups. There is need for everyone of us doing a bit more than what we are doing now, so that the availabilities are increased and the long-term objectives which we have set for ourselves and for the nation are not thwarted.

Let me conclude by thanking each and every worker and all members of the staff for the contribution they have made to the successful operation of the Company during last year. It is my trust and hope that the Company will prosper further with their continued support.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

SAKTHI SUGARS LIMITED

Regd. Office :
8/28, Race Course Road,
Coimbatore-641018

Factory :
Sakthinagar, Appakudal,
Coimbatore Dt.

Text of speech by Thiru N. Mahalingam, B.Sc., F.I.E., Chairman, Sakthi Sugars Limited, delivered at the 13th Annual General Meeting held on 23rd December, 1974.

I welcome you all to the 13th Annual General Meeting of your Company which marks the end of a successful decade of operations and the beginning of a new era of further dynamic expansion. The Annual report and the accounts for the year ended June 30, 1974 have been with you for some time and I shall take them as read.

Working Results

Regarding the performance of your company I would like to point out that Sakthi Sugars has again succeeded in increasing the quantity of cane crushed to 8.13 lakh tonnes from 6.88 lakh tonnes in 1972-73 which is a new record for your factory. There were no doubt delays in deliveries by machinery suppliers and hence the programme could be completed only by the end of April, this year, instead of February as scheduled, resulting in some inconvenience to the ryots in the matter of cane crush because the crushing operations could not be maintained at the level visualised earlier. While regretting the delay in crushing we are happy to state that in regard to the quantity of cane crushed, your factory is the third largest for any sugar mill in the country and for sugar production the second largest for any single unit in 1973-74. I am glad to say that the newly erected plant and machinery are functioning satisfactorily and their efficiency have been fully established after some teething trouble with the crushing rate being currently of rated capacity.

Thiru N. Mahalingam

The output of sugar at 67,776 tonnes against 59,972 tonnes in 1972-73 is nearly double that of any other sugar mill in Tamil Nadu and Sakthi Sugars is the first factory in this State to achieve a capacity of 4000 tonnes daily. The net profit before depreciation and taxation for 1973-1974 has recorded a big rise to Rs. 104.72 lakhs from Rs. 74.99 lakhs in the previous year inspite of higher interest charges, a bigger wage bill, and higher cost of cane.

The amount set aside for depreciation is Rs. 46.99 lakh (Rs. 34.66 lakhs) and Development rebate Rs. 32.67 lakhs (Rs. 7.15 lakhs). With a large claim towards depreciation and development rebate, there is no liability for taxation. A provision of Rs. 9 lakhs was made on this account on the last occasion. The allocation to preference share redemption reserve is Rs. 50,000 (same) and dividend reserve Rs. 18.45 lakhs (Rs. 22.50 lakhs). Your Directors have recommended the payment of a dividend of 12% taxable on equity capital, as against 15% taxable previously, because of the restrictions recently imposed by the Government on the distribution of profits. The expeditious implementation of the expansion scheme of the sugar mill and the diversification of the output of the distillery, have been responsible for the big increase in the cost of gross fixed assets to Rs. 958.58 lakhs at the end of 1973-74 from Rs. 567.55 lakhs on June 30, 1973 and in not fixed assets too Rs. 752.45 lakhs from Rs. 408.34 lakhs. The heavy capital outlay of Rs. 391.93 lakhs in plant and machinery. labour colony and other facilities is an eloquent testimony to the meticulous planning of the implementation of the expansion programme and allied projects. You will be proud to know that the capital outlay in 1973-74 represents hereby 41% of the total investment incurred by Sakthi Sugars in fixed assets in a decade and the full benefit of the newly created facilities will be derived in the current and coming years.

Distillery

The distillery too functioned efficiently with the output of rectified spirit rising to 12.99 million litres from 9.29 million litres. But the prices realised were not quite remunerative and there could therefore not be any significant increase in total earnings. The position in this regard has changed significantly latterly and the distillery will be stepping up further its output and its earnings substantially in 1974-75, not withstanding the slight dislocation caused by an accumulation of stocks of alcohol following the re-introduction of prohibition in Tamil Nadu, from the beginning of September. I am happy to inform you that there is now a good offtake of alcohol with the needy industrial consumers in the neighbouring States gobbling up available supplies. The prospects for the current year should therefore be considered quite promising.

Prospects for 1974-75:

The 1974-75 crushing season will stand out as an outstanding landmark in the history of the sugar industry at a time when the Government is straining every nerve to maximise foreign exchange earnings with a stepping up of exports in order to meet the heavy cost of imports of foodgrains, crude oil and allied products. The exports during 1973-74 was only of the order of 4 lakh tonnes and for 1974-75 the exact quantum of export has not yet been decided. The international price of sugar has been increasing sharply from 100£ per tonne to 700£ and it is possible to sell even 10 lakh tonnes of sugar annually, for the next three years if the Government of India can conclude forward sales for even three years at an agreed price.

It is rather surprising that the policy of the Union Government this year is not properly tuned towards increased production. The cost of cultivation to the ryot has increased phenomenally due to the escalation in the prices of diesel oil, electricity, fertilizers, as well as due to higher labour charges. Consequently, the net earnings of the farmer has fallen very much had the general tendency is to go in for paddy in the place of cane as paddy now gives a higher return per acre to the grower, Your directors considered this matter and requested the Union Food Minister and the Sugar Directorate, several months ago to fix a minimum price of Rs. 125/- per tonne of cane for a recovery of 8.5%. However, the suggestion has not been accepted and the Government have only fixed a price of Rs. 85 per tonne of cane for a recovery of 8.5%.

The levy sugar price fixed at Rs. 2.15 per kg. is still sought to be maintained at a low level when the price of rice has almost doubled in the last six months. On the basis of a minimum price of Rs. 85 per tonne for a basic recovery of 8.5% the statutory price for your factory works out to Rs. 94 per tonne. However, your directors have thought it fit to start the season by giving a price of Rs. 110 per tonne.

I am convinced that unless a suitable forward looking policy is evolved and a price of Rs. 125 per tonne of cane for a basic recovery of 8.5% for 1975-76 is announced early, planting of the required scale may not take place and there may even be a decline in the area under cane. I would even say that the all-India production of sugar for 1975-76 may fall sharply to 32 lakh tonnes if an immediate decision on the lines indicated above is not taken.

In regard to excise duty rebate I welcome the present scheme of full excise duty rebate in October and November. However, I feel that a more liberalised approach is essential to make the factories crush even in the low recovery months of June and July so that more sugar can be produced.

Tamil Nadu:

The achievement of sugar producers in the private and co-operative sectors has been highly creditable and it is no exaggeration to say that even the marginal increase in production in 1973-74 to 39.5 lakh tonnes for all-India from 38.72 lakh tonnes in 1972-73 would not have been possible but for the jump in the output of Tamil Nadu by 1.32 lakh tonnes to a new peak of 4.66 lakh tonnes. Inspite of the difficulties relating to the availability of cane and the dissatisfaction expressed by the growers over the policy of the Government in regard to the fixation of the cane prices, the production of sugar mills in Tamil Nadu in 1974-75 is likely to be further higher at 5 lakh tonnes on account of good planting done in 1973-74 even though all-India output is placed at not more than 38 lahh tonnes. This tempo of development can be sustained only if the private sector is also allowed to play its due role.

As Tamil Nadu is a surplus State we have to sell our sugar in Calcutta and other North Indian Markets for which a transport charge of Rs. 18 to Rs. 20 per quintal has to be incurred. Due to this factor, the free market realization of the South Indian Sugar Mills when compared to those of the North is lower by about Rs. 20 per quintal. It will be an effective incentive if the Tamil Nadu Government can give some concession in the purchase tax atleast in respect of the sugar sold in the North Indian Markets.

Your Directors are fully aware of the new opportunities available to the industry and Sakthi Sugars has succeeded already in developing a large-sized complex. With the completion of the 4000 tonne programme, it is possible to maximise crushing operations during the peak of the season and improve the recovery of sugar. Hence, your Directors feel that in the current year your factory has to concentrate on improving this efficiency of the existing plant and machinery so that the management can be in a position to implement expansion to 5000 tonnes easily. The intention presently is to avoid crushing in the hot season when maximum recovery can be secured.

Furfural Project:

The preliminary work connected with a project for manufacturing furfural with foreign technical know-how, is being done and the details of this big project will be placed before you for consideration at the appropriate stage. You will readily agree that all these activities will result in the development of a huge integrated complex in the Sakthi Nagar area and lead to the effective use of the by-products.

Labour Management Relation:

I am indeed very happy to state that during the period under review the workers and the staff gave unstinted co-operation to the management and enabled the factory to function for 332 days without trouble of any kind. Your Directors have nothing but warm appreciation for the staff and workers of the factory for their enthusiastic and voluntary co-operation in all the affairs of the Company. Therefore, in the matter of distribution of bonus to the workers they were very responsive to the expectations of employees and sanctioned a bonus of 8.33% an exgratia payment of 16.67% and a production incentive of 15%.

Welfare Measures:

The Voluntary Health Services Scheme sponsored by your Company, during the last year, has been held up because of rejection of the claim for subsidy from the Centrel Government. However, we are negotiating with the State Government to complete the project on a 50-50 basis and we hope to succeed in our endeavours.

The labour colony consisting of 120 houses built at a cost of Rs. 17 lakhs under the subsidised Industrial Labour Housing Scheme, of the Government of India was declared open by the Hon'ble Chief Minister Dr. Kalaignar Karunanidhi. There is a proposal for constructing another labour colony of 120 houses in the near future.

Note :

This does not purport to be a record of the Proceedings of the Annual General Meeting.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 5 per copy. The annual subscription is Rs 20.

Inquiries regarding subscription and advertisement may be addressed to :

The Manager,
The Eastern Economist Ltd.,
Post Box No. 34, New Delhi-1

Kothari Sugars And Chemicals Limited

Madras 600 034

Chairman's Statement read out at the 14th Annual General Meeting held on 27th December, 1974.

MR. D. C. KOTHARI

Ladies & Gentlemen :

I have great pleasure in inviting you to this Fourteenth Annual General Meeting of our Company.

I am glad to report that the last season has again been a successful and profitable one. Although under normal circumstances, a higher dividend could have been paid, due to the restrictions on the payment of dividends imposed by the Government recently, the Directors have recommended a dividend of 9%.

The total crushing at Kattur factory for 271 days of working was to the tune of 3,68,066 tonnes of cane, producing 3,06,601 quintals of sugar at an average recovery of 8.33% against a crushing of 2,24,531 tonnes of cane for 193 days of working producing 1,97,126 quintals of sugar at an average recovery of 8.76% during the previous season 1972-73. The crushing of cane at the new factory at Siruguppa for 134 days of working was to the tune of 1,07,700 tonnes producing 97,800 quintals of sugar at an average recovery of 9.13%.

The statutory minimum price per tonne of cane fixed for our Kattur factory by the Government for 1973-74 was Rs. 85.60. But at the instance of Tamil Nadu Government, we had agreed to pay Rs 100/- per tonne being the price that was paid during 1972-73 season. However, on a demand made by the sugarcane growers, a meeting was convened by the Tamil Nadu Government with the sugarcane growers and the manufacturers at which meeting the Government advised the manufacturers to pay an increase of 25% over the statutory minimum price. On this basis, the Kattur factory has to pay, to its growers Rs 107/- per tonne for the season 1973-74.

The Government of India, has recently increased the basic price for cane from Rs 80/- to Rs 85/- per tonne linked to a recovery of 8.5% with a premium of ten paise per quintal for every increase of 0.1% in recovery over the basic recovery of 8.5%. On this basis, the statutory minimum price payable at Kattur and Siruguppa factories works out to Rs. 92/- and Rs. 97/- respectively.

The Government has fixed a production target of 60 lakhs tonnes of sugar by 1978-79. The production capacity for achieving this should therefore be of an order of 70 lakhs tonnes. The achievement of this target is dependent on a definite and fixed policy regulating the control and distribution of sugar, fixation of an attractive cane price to the growers and relaxation of credit curbs.

The Government had made a policy statement in August, 1972 for intensification of cane development and also for planning for quantitative and qualitative improvement in sugarcane production. It had also announced the continuance of the policy of partial control, uniform issue price of levy sugar throughout the country and also a well conceived and properly integrated long range policy to increase the production to meet the gap between demand and supply of this commodity between the periods 1972-75.

Subsequently in September, 1972, the Government announced incentives in the form of rebate in excise duty concessions on excess production obtained by the factory. These measures had the desired result as a large number of factories started crushing operations earlier than usual despite high costs of production.

However, the Excise Duty Rebate Scheme recently announced by the Government of India for the season 1974-75 is disappointing and may no result in any substantial increase in production. Unde this scheme, seasons have bee divided into two periods viz early and main, an eligibility of concession is based on the averag production of the preceding five years during the corresponding periods. It migh benefit the industry if this period of five years is reduced to three years and if the system of excise concessions are continued in future also with some adjustments in regards to the duration of the main season which could further be divided into two viz. peak recovery period and low recovery period. The additional excise duty rebate should be extended to low recovery period also.

The attention of the Government has been frequently drawn by the industry to the fixation of a remunerative price to the sugarcane grower in order that the production of sugar could be increased to achieve the target set by the Government. It is imperative that the price for cane should be commensurate with the level of prices obtained by the growers of other commercial crops. Even the recent revision in the basic price for cane announced by the Government does not obtain a remunerative price for the sugarcane growers. The prices paid by the industry are much higher than these basic minimum prices fixed by the Government.

Another important factor that has to be given consideration by the Government to give a boost to the production of sugar is the fixation of a realistic and economic price for levy sugar.

It used to be the usual practice of the Government given up in the year 1969-70 onwards, to fix provisional levy price before the beginning of the season on the basis of an estimated recovery and cost of production of cane. The prices now prevailing for levy sugar are highly uneconomical which necessitates increase in price of free sugar to make up the loss.

Sugar industry is largely dependent on bank credit for financing its production achieved in a short period of 4 to 5 months which is disposed off over a period of 12 to 14 months. There has been sharp increase in the cost of raw materials namely sugarcane and various stores items during this year. The production also is expected to be higher. The credit requirement of the sugarcane industry would be higher this year than the preceding year. Whilst this is the case, the credit restrictions imposed by the increase in the margins from 10 to 15% on levy sugar and 15 to 20% on free sugar will considerably affect the working of this industry unless the Government relaxes the credit curbs considerably.

It is fortunate that at a critical time when the foreign exchange resources of this country are dwindling, the sugar industry has been able to come in a large measure to rescue this situation. It is expected that additional foreign exchange on the export of sugar alone would account for Rs 400 crores for this country. The international price for sugar is almost double the free market price ruling in our country today. To meet the increased export demand, it is expected that a certain amount of sacrifice will have to be made by our countrymen, as the sugar production in the country is still far below the demand. In this context, sugar production has to be stepped up.

I am confident that the industry could meet this challenge if the credit restraints are relaxed and larger cane areas are assured without diversion to gur and khandsari. Adequate and assured supplies of cane can be had if the grower is assured a remunerative price for his cane.

As regards the prospects for the current year, we expect to crush about five lakh tonnes of cane between the two factories at Kattur and Siruguppa, to which if the total quantity of 87,683 tonnes of cane already crushed between July to September, 1974, at Kattur is added, the total crushing is expected to be of the order of 5.87 lakh tonnes as compared to a total crush of 3.88 lakh tonnes last year.

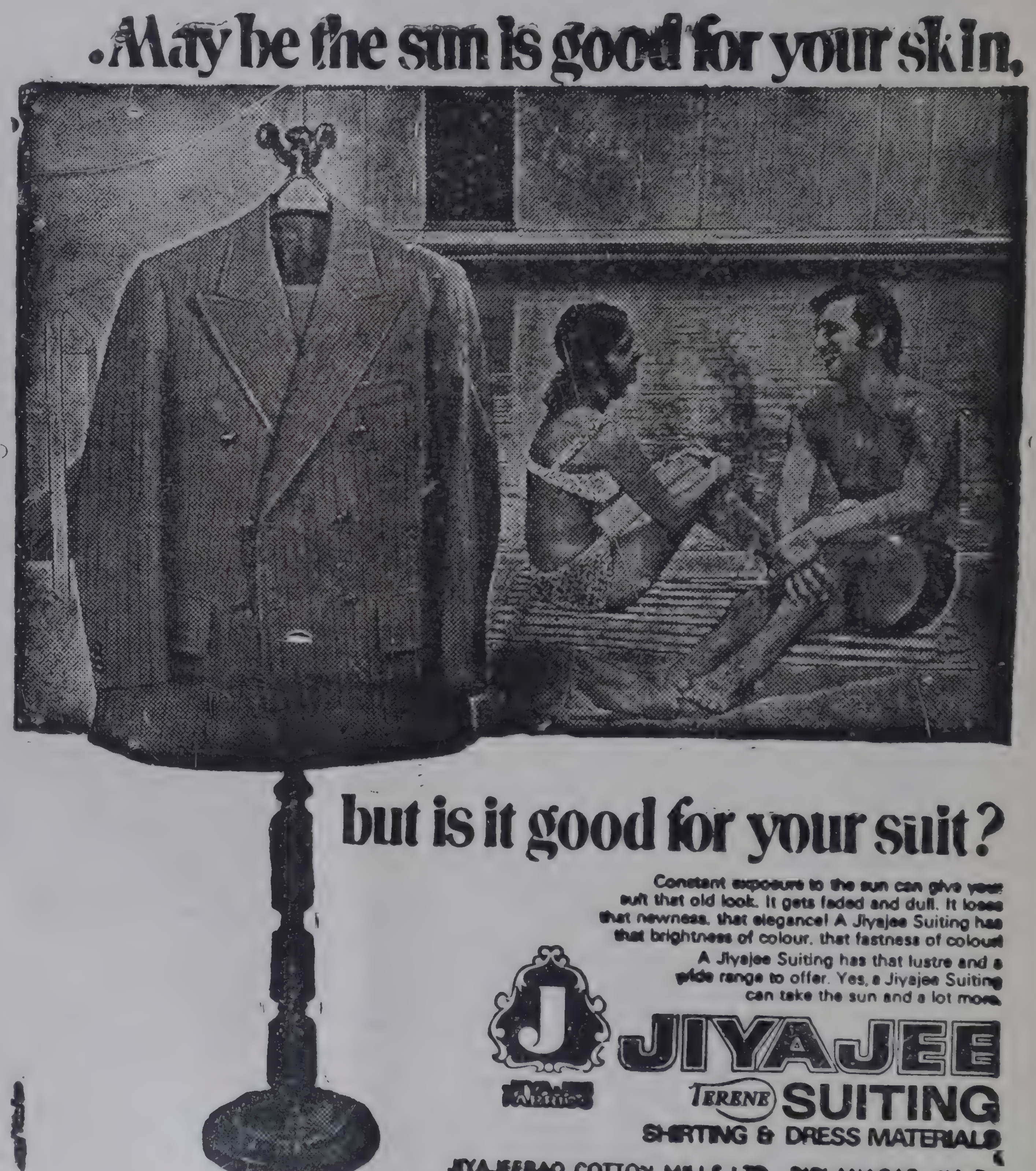
The total production is estimated at 5.27 lakh quintals of sugar as compared to 3.42 lakh quintals during the previous year. The quantity to be produced therefore will be nearly double of the previous year.

Judging from the above estimates and the present indications, I expect that the profit for the current year should be higher than the year under review.

Before I conclude, I would like to thank my colleagues on the Board for their co-operation and all the officers, staff and workers of the Company for the hard and sincere work they have put in.

D. C. KOTHARI
Chairman

NOTE: (This does not purport to be the proceedings of the Annual General Meeting).


May be the sun is good for your skin,
but is it good for your suit?

Constant exposure to the sun can give your suit that old look. It gets faded and dull. It loses that newness, that elegance! A Jiyajee Suiting has that brightness of colour, that fastness of colour! A Jiyajee Suiting has that lustre and a wide range to offer. Yes, a Jiyajee Suiting can take the sun and a lot more.

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Upper Ganges Sugar Mills Limited

NOTICE

NOTICE is hereby given that the Forty-second Annual General Meeting of Upper Ganges Sugar Mills Limited will be held on Monday, the 20th January, 1975 at 3.00 P.M. at 9/1, R.N. Mukherjee Road, Calcutta-1, for the following purposes:—

(1) To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1974.

(2) To declare dividends.

(3) To elect Directors in place of Shri K.K. Birla, Shri P.K. Khaitan and Shri B.N. Jhunjhunwala who retire by rotation and being eligible offer themselves for re-election.

(4) To appoint Auditors and fix their remuneration.

As Special Business:

(5) To appoint a Director in place of Shri S.J. Utamsing who was appointed as an Additional Director by the Board of Directors. His term of office expires at this Annual General Meeting. A notice in writing has been received by the company from a member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:—

"Resolved that Shri S. J. Utamsing be and is hereby appointed a Director of the Company."

(6) To appoint a Director in place of Shri Kamalnayan Saraogi who was appointed as an Additional Director by the Board of Directors. His term of office expires at this Annual General Meeting. A notice in writing has been received by the company from a member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:—

"Resolved that Shri Kamalnayan Saraogi be and is hereby appointed a Director of the Company."

To consider and if thought fit to pass with or without modification the following resolutions as Ordinary Resolutions:

(7) Resolved that rendering of services by Shree Services & Trading Company Limited from 1st May, 1961 and payments therefor be and are hereby ratified.

(8) Resolved that the company hereby approves the appointment/reappointment of the following parties as Distributors for the sale of Confectionary and Milk Products manufactured by Morton Confectionery & Milk Products Factory at Marhowrah (of which the company is the lessee) on the terms and conditions and for the areas as set out in the standard distributorship agreement subject to any variation that may be made in the terms including changes in areas:—

M/s. Badridas Rajendralal, Barnala

M/s Gopaldas Vijendra Kumar, Patiala

M/s. Kishanchand Agarwal Sons, Ferozepur

M/s. Tayal General Stores, Modinagar

M/s. Punjab Biscuit Factory, Lakhimpur Kheri

M/s. Asumal Arjundas, Sujangarh (Rajasthan)

M/s. Jeetmul Ramdeo, Ramkola (Deoria)

M/s. Shreshta Distributors, Kathmandu (Nepal)

M/s. Lakhpat Rai Chamanlal, Meerut

M/s. Ashok General Stores, Rewari

M/s. Sethi General Stores, Roorkee (U.P.)

M/s. Balkishandas Shyamrattan, Kalimpong

M/s. Sadriwala Stores, Udaipur

M/s. Ruby Confectioners, Saharanpur (U.P.)

M/s. Satyapal Tea Co., Sriganganagar (Rajasthan)

M/s. Sitaram Kailashchand, Mussoorie.

M/s. A. Das & Co., Allahabad

M/s Light House, Dalsingsarai.

By Order of the Board,

S. N. GUPTA
Secretary.

9/1, R.N. Mukherjee Road,
Calcutta-1, the 16th December, 1974.

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

2. Shareholders are requested to notify any change of address, failing which the dividend warrants will be posted to their addresses as registered with the Company.

3. The Register of Members of the Company will remain closed from the 3rd January, 1975 to the 15th January, 1975, both days inclusive. Explanatory Statement has been sent to the shareholders.

Microfilm Edition of Eastern Economist

EASTERN ECONOMIST, for the benefit of its readers, both at home and abroad, has made arrangements with University Microfilms of Ann Arbor, Michigan, USA, for the latter undertaking the reproduction of *Eastern Economist* on microfilm and through xerographic copies.

This arrangement covers for the present back issues of *Eastern Economist* starting from January 1971. The question of including issues from earlier years in this arrangement is under consideration.

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punjab national bank

Provisional Results—
31st December,1974

A year of continuing CHANGE

CHANGE: Change that began in PNB two years ago has been the motive force in our operations in 1974, and we hope will continue into the future as an "ally of management". 1974, but for a slack in deposits, general to the banking system, shows a satisfactory picture of performance. The targets for 1975 will aim at consolidating the new strengths and correcting the weaknesses.

In our 1974 Budget we had spelt out our task as a kind of 'panchsheel':

—Maximisation of deposits
—Maximisation of credit
—Maximisation of profits
—Minimisation of expenditure
—Maximisation of priority sector credit.

HIGHLIGHTS

	1973 Actual	1974 Provisional	1975 Budget	1974 ÷ 1973 % rise
		Rs. Crores		
Deposits—(and other accounts)	741	830	960	12
Credit—Total, including	431	500	600	16
Priority Sector*	126	165	230	31
Trained—Number	1098	3150	4900	187
Branches—Number	1015	1100	1200	8
Credit—Deposit %	60.4	62.5	64.9	
Priority— Total Credit %	29.3	33.0	38.3	
,, excluding exports%	21.7	24.0	28.3	

* Exports, Agriculture, Small Industry, Transport, Self-Employed, Professionals, Small Business and Retail Trade.

DEPOSITS: Taking stock of our performance, we find that:

—In deposits, in keeping with a general trend we did not show the promised rise. Instead of a rise of 19% in 1973, there will only be a rise of 12% in 1974, while the banking system will have dropped from 20% to about 15%. In our own case, the reasons have been a reduced intake from our traditional sources of farmers and general savings, where our share has been high. Additionally, there has been a drop in industrial and commercial current deposits. We are now conscious of our problem with deposits, (as we were with credit last year). We have therefore created a new Deposits Division to address itself exclusively to the task of deposit mobilisation, and to introduce some marketing techniques.

CREDIT: In Credit we have done well, with an expansion of 16% as against an estimated 14% for the System. There was expansion, diversification and reduction in seasonality; and particularly a healthy rise in our share in the public sector enterprises, the "large houses" of tomorrow.

—In priority sector we are also doing well with a growth of 31%. Total export turnover nearly doubled during the year.

PROFIT: In profits we have recovered the position and expect a rise in contrast with a small fall last year.

EXPENDITURE: The newly created Expenditure Control & Financial Management Division is bringing about reductions but, more importantly, a cost and income consciousness. This should add to our profitability in the long run.

In other areas of Change two points deserve special mention:

—Communications —Men

COMMUNICATIONS: The system of performance budgeting and its monthly review has become institutionalised. In 1975 we hope to let it percolate down to branch level, to create a total involvement. Decision-making is being speeded up and the committees at Head Office are meeting regularly, especially the Executive Committee that now meets daily. A new Follow-Up Committee has been formed to clear bottlenecks.

MEN: Selection, training, recruitment and promotion of men is receiving the utmost emphasis. Special effort for the Scheduled Castes and Scheduled Tribes and ex-defence personnel's recruitment should clear the backlog soon. Quicker promotion opportunities are bringing down the average age of management at all levels, and training has been accelerated by opening five new Zonal Training Centres in addition to our Staff College. Improvement in the quality and content of training is our new task.

FUTURE: As Change spreads, innovations introduced, and problems solved, a new crop of problems arises. This is but inevitable in Change, but the main thing is that we plan and appraise and constantly innovate

BOARD OF DIRECTORS:

M. ABDULLA
I.S. AHLUWALIA
SATYENDRA NATH BHARGAVA
D.P CHADHA
A.K. DUTT
B.M GOGTE
V.M. JAKHADE
Dr A.S. KAHLON
V.N. KAK
MADAN MOHAN MAHAJAN
BIMAL NARAIN MEHROTRA
PRAKASH TANDON, *Chairman*

B.K. Vora,
General Manager

O.P Gupta,
Deputy General Manager

RECORDS AND STATISTICS

nergy : its demand and supply

CONFERENCE on Energy as held under the auspicious f the Federation of Indian hambers of Commerce and ndustry in New Delhi on ecember 18, 1974. The text f the background paper preared by the FICCI and preented at the Conference is iven below :

I

Demand and Supply

Energy is required for various purposes like lighting, heatg, cooking, running machiery, generating electric power, tc. The primitive sources f energy are firewood and egetable waste. There are few other basic sources of rimary energy like coal, oil nd water power. Electric ower generated from steam, il and water power is another nportant derived source of nergy since industrialisation. uring the past decade or two uclear source of energy has lso made its appearance not nly in developed countries but lso in developing countries ke India as well.

The source of energy in ndia has been traditionally on-commercial fuels like fireood, dung and vegetable aste, which accounted for ore than two-third of the tal energy supplied in the ginning of the Plan period. lanned economic development as however been changing e situation in India gradually so that by 1970-71 commercial sources of energy like coal, oil and electricity accounted for slightly more than half the total supply of energy. In 1970-71, 51 million tonnes of coal were consumed (apart from coal consumed for power generation) in addition to 15.3 million tonnes of oil and 48 billion units (kWh) of electricity. The comparative shares works out as given below.

The shift in the consumption of energy from non-commercial to commercial sources has been observed all the world over. In 1925, the total world consumption of solid fuels was 83 per cent as against 13.3 per cent for liquid fuels, 3.2 percent for natural gas and 0.7 percent for hydro-electricity, By 1968 the share of solid fuels was brought down to 36.7 percent whereas that of liquid fuels was up to 42.8 percent, that of natural gas up to 18.3 per cent and that of hydro-electricity up to 2.1 percent. The replacement of solid fuels like coal by petroleum products was particularly prominent in North America and Europe. The chief incentive for this came from the boosting of world supplies of crude oil from new sources in the USA, the Middle East, and the USSR

Growth in Demand for Energy

In India, the demand for energy has been rapidly expanding since the beginning of planning. The total energy consumption in two decades of planning has more than doubled. There has been more rapid increase in the consumption of some forms of energy than others. While coal consumption has increased from about 28 million tonnes to 51 million tonnes between 1953-54 and 1970-71, consumption of oil has increased from three million tonnes to 15 million tonnes and that of electricity from seven million units to 48 million units. There has been further growth in later years. The annual increase in demand for electric power has been as much as 15-20 per cent in some of the States. 10 percent of the electricity are now supplied to villages. In some of the states such as Punjab, Tamil Nadu, Andhra Pradesh, nearly a quarter of their power output is used for agricultural operations. 1.5 lakh villages have been electrified and 23 lakhs pumping sets have been set up in the villages. Besides, there is a large suppressed demand for electric power in many parts of the country because of the non-availability of power.

The demand for petroleum has been increasing at about 9.4 percent per annum, and given a greater supply of oil the quantum of demand for oil is likely to come out more explicitly. It has been estimated that by 1978-79 consumption of electricity is likely to go up to 125 billion units from about 56 million units in 1970-71; Oil consumption for energy requirements are likely to be 27.2 million tonnes besides another 9-10 million tonnes of non-energy requirements for oil. There has been similar increases in the demand for coal which is likely to go more rapidly up in view of the pressing demand for substitution of oil by coal in view of the oil crisis. The demand by the end of the fifth Plan is put at 165 million tonnes although there is a programme only for 135 million tonnes of coal production. The table below gives the anticipated growth in demand.

Demand Estimates

—These demand estimates are projected on the basis of certain assessments and forecasts regarding shift in technology in different sectors of the economy and the consequent impact on consumption of different types of fuels. The relative cost of different fuels have also been taken into account in projecting these demands by the Fuel Policy Committee in their interim report in May, 1972.

—The growth of demand in these projections is no

Total Supply of Fuels (in per cent)

	1953-54	1970-71
Commercial Fuels		
Coal	15.43	13.64
Oil	12.80	25.80
Electricity	4.09	12.92
Total	32.32	52.36
Non-commercial Fuels		
Firewood	44.19	30.97
Dung	10.00	7.14
Vegetable waste	13.49	9.53
Total	67.68	47.64
Grand Total	100.00	100.00

Anticipated Growth in Demand

Unit	1978-79	1980-81
Coal (mil. tonnes)	164.5*	190.5*
Oil (mil. tonnes)	36.95	42.95
Electricity (billion kWh)	125.00	150.00

*including requirements of electricity generation of 56.5 mil. tonnes and 66.0 mil. tonnes respectively.

doubt postulated to be very high. The rates of growth postulated between 1970 and 1980 are about 30 per cent per year or more as against an estimated increase in world demand at 5.5 per cent between 1970 and 1980, 8.7 per cent increase in the Far East and 5-6 per cent increase in the advanced countries. Whether such a growth rate can be sustained during this period is, of course, another pertinent question.

Per capita Consumption of Energy

—But the per capita consumption in India is undoubtedly very low which needs to be increased by all efforts. It increased from about 492 Kgs. of coal equivalent in 1953-54 to about 694 Kgs. of coal equivalent in 1953-54 to about 694 Kgs. of coal equivalent by 1970-71. Against this, the world average of per capita energy consumption in 1968 was 1810 Kgs. and that in advanced countries was well above 3,000 Kg., the USA's consumption being more than 10,000 Kg. of coal equivalent. While there is a high positive correlation between energy consumption and Gross National Product observed from data regarding various countries, the ratio of energy growth to the GNP growth rate shows wide variations among different countries and also over time as shown by extensive data by experts like J. Darmstadter. However, the need for increasing energy consumption in India cannot be over-emphasised.

—The growth in the requirements of energy has to be set against the existing reserves of different kinds of fuels. In western countries, the change over to commercial fuels, particularly liquid fuels, has brough the current rate of consumption at a fantastically high level. But the centres of energy consumption particularly oil fuels are not necessarily the sources of crude oil. Thus, the USA produced about 500 million tonnes of crude oil per year against the annual consumption of about 750 million tonnes of refined oil products requiring an import of about 250 million tonnes per year. The sources of liquid fuels which have increased in recent decade are generally located away from the centres of intensive energy consumption resulting in the sharpimbalance between demand and supply. Western Europe consumes about 700 million tonnes of refined products, but produces only 60 million tonnes; Japan consumes 37 million tonnes of oil products against an almost negligible crude production at 0.7 million tonnes. It has been said that the current rate of the fantastically high level of consumption in the USA will exhaust its own oil resources by 11 years's time and the world resources by twenty years. The growth of future demand in India must, therefore, be studied against the existing reserves of different fuels.

Energy Reserves

—The total coal reserves are placed at somewhat above 110 billion tonnes. Of this, coking coal reserves are about 20 per cent which is considered to be sufficient to meet the growing requirements of the metallurgical industries for a period of 40-50 years; the reserves of non-coking coal that have been categorised so far are likely to last for about 200 years. Of the hydel resources only about 16-20 per cent have been developed or are under development. It has been estimated that during the next two or three decades it would be possible to instal about 80-100 million kW of hydel capacity on the basis of our river system. Oil reserves at about 140-150 million tonnes can last for about 20 years at the current rate of production, and only for 12 years at the projected rate in 1978-79.

—One of the assumptions of the projected demand for fuel by the Fuel Policy Committee was an oil price of $5 per barrel. This was probably not unrealistic in 1972 when the projections were made. The price of Arabian crude was $1.98 and $1.30 in 1970. But the oil prices started rising in view of the evident desire of the oil producing countries to make the most out of their existing assets, and the prices started rising. In mid-October, 1973, the oil price was $3 per barrel. But thereafter, it started to increase sharply coming to about $12 per barrel at present.

—A new dimension has thus been added to the energy supply situation by the sharp increase in prices of crude oil from abroad. The import bill has increased from about Rs. 144 crores in 1972 to Rs. 242 crores in 1973. Since the price increase has been four times since then, to maintain a supply of crude at the 1973 level of 13.4 million tonnes would increase the import cost by four times. If the throughput required for the refinery programme during the fifth Plan is to be applied, the import bill for oil products in the fifth Plan is likely to go up, as estimated by the Fuel Policy Committee, from Rs 3000 crores given in the Plan to about Rs. 9000 crores. The total provision for all imports in the fifth Plan has been specified at Rs 14,100 crores. Thus, it is simply impossible to meet the import bill for oil products in the fifth Plan at the current oil prices.

—Moreover, the economics of using oil as against alternative fuel like coal has undergone a fundamental transformation due to this price increase. At $12 a barrel for oil and Rs 60 per tonne of coal, the relative price of coal and oil has become nearly 1:11 as against a relative heat value of 1:2. This basic change in the economics of using oil due to steep increase in prices of imported oil has more than offset the various advantages claimed for oil in respect of conveyance, cost of transport, storage and efficiency of utilisation. This is the crux of the energy crisis today.

National Energy Policy

—The limited resources against the growing demand for various forms of energy in the face of economic development underlines the need for evolving a national energy policy and planning the development of various forms of energy uses and resources on an integrated basis. According to the Chairman of the Fuel Policy Committee, it would be unrealistic to be scared at the high international oil prices and start re-assessing the energy plan on that basis. This is because there are possibilities of producing oil at very low cost given the time to explore and develop oil fields. It is significant to note that current oil prices are roughly 70 times the marginal cost of production in the Gulf Countries according to London *Economist*. Energy planning therefore will consist largely in re-apprising the situation and investment possibilities at alternative price levels and accept for immediate implementation those projects whose essentiality is not dependent on large price changes.

Suggestions for Substitution, Conservation, Efficiency, etc.

—One of the objectives of a national energy policy must be the conservation and maximum effective utilisation of commercial energy resources. Other important objectives are substitution of one fuel by another on techno-economic considerations and improving the efficiency of various fuel uses in appliances. Many suggestions in this regard have been made by the Fuel Policy Committee in its interim report and others concerned. More important among these are as follows:

(i) The basic premise for a future energy policy will be the adoption of coal as the chief primary source of energy. This is dictated chiefly by the comparatively large coal reserves which are known to be available.

(ii) Oil exploration in India has to be given top priority, particularly in the off-shore areas and selected on-shore regions. The capabilities of the ONGC to conduct exploration should be augmented by providing them with all the technical facilities, trained personnel and modern equipment. This is to be supplemented by exploring the scope for increasing the oil supply through joint ventures in OPEC countries. Advantage should be taken of the complementarities, if any in resource endowments of India and the OPEC countries through bilateral negotiations. In fact, all policies in respect of oil should be geared to the international oil situation with the specific objective of reducing the quantity of oil products to be imported, minimising the total foreign exchange expenditure and ensuring a stable supply of crude and refined oil products.

(iii) The scope for substituting one fuel by another should be fully explored. This is mainly to conserve the limited supply of oil available.

(a) New fertilizer projects should be designed to make use of coal as the feedstock rather than naphtha. This is because the supply of light distillates like naphtha is likely to be in short supply in coming years.

(b) Fuel oil is an important raw material for the production of high cost petroleum products (such as lubes, bitumen, petroleum coke and wax) with considerable export potential or which can serve as import substitutes. The Fuel Policy Committee is understood to have recommended a complete prohibition of licensing of new industries on the basis of fuel oil and substitution by coal. A selective approach will, however, be preferable. Coal dumps in industrial centres have been suggested as immediate steps for ensuring the supply of fuel to industries which would be based on coal in place of fuel oil. The Fuel Policy Committee has also recommended limitations on the demand for high speed diesel oil through substitution of long distance movement by rail transport instead of road transport. A Sub-Committee on Substitution of Fuel Oil by Coal is already conducting exercises to assess substitution possibilities in consultation with concerned industries, their associations, the state governments, coal producers and the railways.

(c) Light diesel oil is used in pump sets for lifting water for agricultural purposes, even in some electrified villages.

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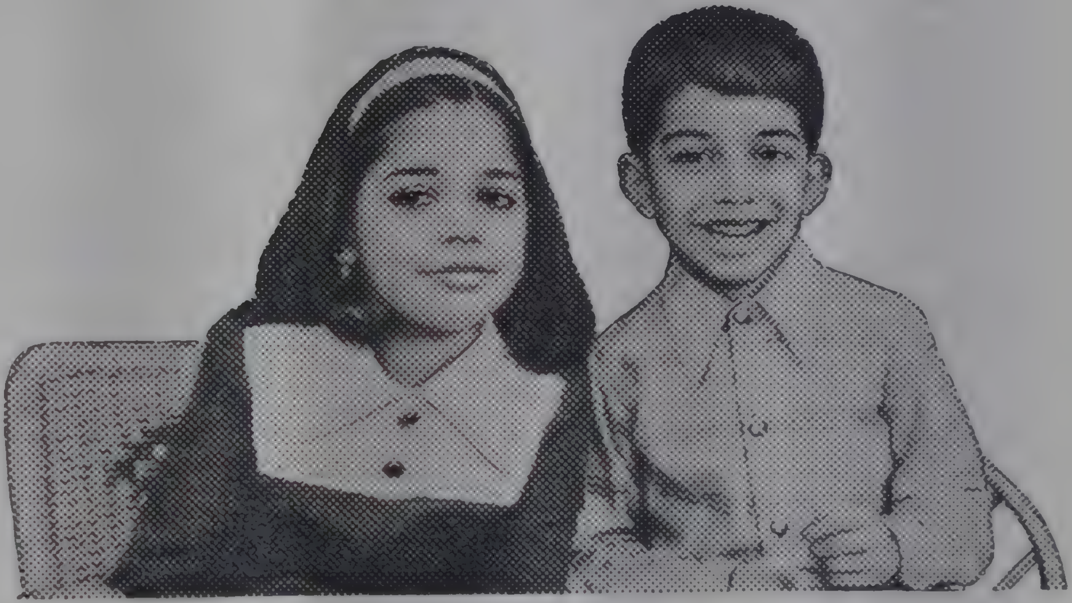

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Such pump sets should be quickly changed over to electric power. Moreover, in certain, areas in Gujarat, UP Maharashtra, diesel pumps are used in a geographically compact area. There should be speedy electrification of selected villages in such areas in order to energise the pumps with electricity for saving of diesel oil.

(d) The scope for reduction in consumption of fuel oil is the highest wherever it is used for raising heat, as for power generation and in industrial furnaces. By 1978-79 nearly 3-4 million tonnes of fuel oil can be saved by converting industrial and power generation boilers to the use of coal. The quantity of fuel oil thus released could be used to produce middle distillates by secondary processing such as hydro-cracking of catalytic-cracking. This, it is claimed, would save a quantity of seven million tonnes of crude oil imports and will lead to a substantial saving in foreign exchange.

(e) At the current level of international oil prices all the uses of oil except those in the transport sector can be economically substituted for by coal or coal-based energy forms. For example, in the households the use of kerosene for lighting can be replaced by electricity: the use for kerosene for cooking can be replaced by cooking gas in densely populated urban areas and by soft coke in small towns and some rural areas; in industry for all heating requirements coal is preferable to oil; for lifting water the use of electricity becomes more economic; in the case of transport the movement of bulk commodities over long distances by rail is preferable to road movement.

(f) The recent exploration in land and off-shore and the discovery of substantial quantities of natural gas indicate that production of fertilizers, methanol and other chemicals could in future be based more economically on natural gas.

(g) Further research and development in appliances such as battery-powered vehicles and fuel cell technology will enable substitution of oil in light vehicle as well as immobile small cells for use in remote villages.

(iv) It is also necessary to conserve the different forms of energy by making available their supplies in the first instance to consumption for essential purposes. Car manufacturers could be requested to improve the efficiency of fuel consumption of the engines to the maximum, as is being thought of in some western countries and suggested by the National Productivity Council. Urban mass transportation should be the objective in place of personal transportation in passenger cars. There is a very high excise duty on automobiles which acts as a curb on the use of motor cars for personal use. To what extent it should be reduced to encourage mass transportation is a pertinent question. If necessary, the measures can be enforced through suitable regulation or by legislation even.

(v) Various measures to improve the efficiency of fuel uses should be taken urgently.

(a) The efficiencies of the machinery, equipment and appliances should also be increased as for as is practicable from techno-economic considerations.

(b) The Fuel Policy Committee seems to have recommended that a National Fuel Efficiency Service should be instituted as early as possible. This should have centres at various regions and at various industry levels and should be provided with sufficient authority to ensure the right kind of fuel and the optimum level of efficiency as recommended on technical studies.

(c) Steps should be taken to modify or improve the design of the indigenous thermal equipment with the specific objective of reducing the requirements of oil.

(d) There is need for a long term concentrated effort on research and development directed towards seeking and wherever possible, providing alternative and cheaper sources of energy. The Fuel Policy Committee has recommended the under taking of R & D work on coal gassification and pipeline transport of gas. Work for the development of battery powered light vehicle should also be taken up. There is also need for developing techniques by which energy could be generated on a relatively small scale near the actual places of consumption. When fuel cell technology is well developed, it should be possible to use small cells in remote villages.

(vi) The success of various measures for substitution and conservation of energy will largely depend on the cooperatio of all concerned lik technologists, the peopl and the governmen agencies enforcing thes measures. It has to b realised that the cost o creating additional powe capacity is currently larg considering the additional expenditure require for the development o coal and oil sources Its impact on poo countries like India i severe.

India occupies a special position in this respect in view of th wide dispersal of its enormous population ove lakhs of villages. Th cost of distribution o electricity required fo economic developmen of our rural areas would therefore involve gigantic expenditure and effort. The oil crisis with the four-fold increase in prices of imported oil has greatl aggravated this problem for India which has to be faced with the most seriousness of purpose and concerted effort for correct direction in order to avoid all wastes and adopt the substitution dictated on techno-economic grounds. For thi purpose, the organisational set up needs to be re-vitalised. The pooling of functions i the new ministry o Energy is a step in the right direction. It is also required to review the energy position periodically. Moreover, there should be regional energy policies which should be integrated into a nationa policy.

Alternative Sources of Energy

—The potentialities of additional and alternative sources of energy are well-known to mankind for many years. Apart from the discoveries o new sources of oil and coa the sun, the wind, and tides are natural sources of power. Solar energy has great potentials particularly in countries ch as India which gets conuous sunshine for a major rt of the year. No doubt, it being currently used by some dustrial unit as in the case preparation of salt by Tata hemicals and others. Wind iven generators and devices ve a role to play in the ture supply of energy and gnificant developments are king place or are own to have taken place in lvanced countries. But the npact is likely to be small. uilding dams to harness the des is expensive and is applible, according to experts, ly in a few spots where the des rise and fall enough to ake such projects economil. Wider uses of such evices can be expected only ter sufficient technical proess has been made in this rection and the long range transmission of power beomes more efficient.

hermal Power

—Geo-thermal power is hown to be an ideal source cause it is clean and its fuel nstantly renews itself as in e case of hydro-electric ower. These are however latively few places in the orld hot springs bubble to e surface, or can be tapped ith the conventional drilling ethods. Experiments hower are going on in the lvanced countries, with aginative schemes which, successful, will make geoermal power available to ankind.

—Squeezing oil from tar nds and oil shales are technilly feasible and often prode an important source of ergy. It appears that China s recently adopted some ethods to increase oil proaction from these sources; China, crude oil production s increased from 30 million nnes to 50 million tonnes etween 1972 and 1973, and it known that this is inclusive oil extracted from coal and ale. Technical Research ould be diverted more wards this end.

—Coal gassification is other source of additioual ergy. This is produced in a rm similar to natural gas and has technical possibilities of using in car engines. It would however, be more useful in substituting oil.

—Nuclear power seems to be the best hope for solving future energy requirements of the world. Its development is however beset with many problems as actually observed in fission reactors. These problems relate to safety and environmental devices which, it is feared by experts, may never be perfected, in the so-called fast breeders. As regard fusion reactors there are conflicting views as to whether electricity can be produced by this means at all, in view of the fundamental problem of controlling very high temperature so far unknown to man. It is however known that if fusion reactors ultimately prove feasible, as is reported from the break-throughs achieved in USSR and the USA, unlimited source of power would be available to mankind. Perhaps this is a far cry in India today.

—The alternative sources of fuel require considerable research effort for proper development. Whether India can afford the expenses for such research effort is doubtful. There should however be attempts by our technical people, even though limited by funds and technical know-how.

Price Policy

—There should be a rational price policy in the energy sector. The price fixed for any fuel such as coal, oil or electricity should enable the industry to earn a return of 10 per cent on the investment made. Differential pricing might be adopted in cases of coal of different qualities which should reflect the value of specific quality supplied to the consumers. The producer price of crude produced in India should be atleast equal to the long term cost of producing crude in India and the difference from the international price should be collected by government as tax. This is in effect to provide the refineries with crude at international prices.

—The general questions before the conference on the subject of demand and supply of total energy are the following:

—Is the current pattern of demand for different forms of energy as revealed by the consumption data economic? Should coal form the mainstay of our energy supply in the near futur? If so, to what extext can coal be substituted for oil on techno-economic grounds? How far it is advisable and fesaible to shift the consumption of heavy stock oil to light distillates? To what extent can the pace of substitution of coal for oil products be accelerated?

What suggestions can be made for more conservation of scarce fuels—not the use of coking coal limited to metallurgical purposes only? To what extent a non-essential uses of oil and the level of comfort based on current use of oil pr- products can be curbed in the democratic country like India? Is legislation required for the purpose, and if so, at what stage and in which areas and to what extent?

—To what extent efficiency of appliances including machinery can be improved for conservation of scarce fuels? Should not more publicity for efficiency suggestions of the NPC be given? To what extent efficiency of different machinery and appliances using fuel be standardised? How to implement the suggestions for wider acceptance?

II

Problems of Different Types of Fuel

Coal

—Coal is by far the world's most abundant energy resource In our country too, more than half of the energy is generated by coal in one form or the other. This primary fuel has one of the highest forward linkage effects having a direct or indirect bearing on the growth of almost all the industrial activity. Basic industries such as iron and steel depend on coal; more than half of power generation is coal-based; the railway are one of the major consumers of coal and construction industries such as bricks and cement require coal. Hence the unintrrupted and adequate supply of this important primary fuel Is undisputed.

Additional Resources

The discovery and development of massive additional resources in the Middle East and North Africa from the 1950s led to a ready availability of cheap oil supply and a gradual erosion in the market for coal which continued till the present time. In our countary as well more and more reliance was placed on oil as compared to coal. The railways, one of the major consumers of coal went ahead with their dieselisation of tractions and the demand for coal slumped in the 1960s. Industrial use of oil was also on the increase. However, with the recent development in the international oil front, it is becoming clear both from short and long term point of view, coal must be taken as the major primary source to meet the energy requirements.

The national coal reserves are estimated at present at about 111 billion tonnes. This figure may go up when the reserves of the exploratory work are known. We have, therefore, subsantial reserves of this primary fuel.

Our problems of coal is, therefore, related more to the anticipated increase in its demand, particularly in view of substituiion of oil, and the consequent need to increase its production and to facilitate its transportation. The coal industries position has to be considered in the context of the current supply situation and its requirements in the Fifth and successive Plan periods. The current produc- of coal in the country is around 81 million tonnes including lignite. The requirements of coal by the end of the fifth Plan have been assessed at 165 million tonnes although a target of 135 million tonnes has been set.

The order of increased projects is quite large. Looked at in the context of shortfalls in the achievement of target in the third and fourth Plans, this will call for massive organizational efforts and investment. Much of additional demand will come from the electric power and the steel sectors. For this suitable advance action is called for. The current national production of coal is around 81 million tonnes; the target for 1974-75 is 88 million tonnes which has been recently scaled down from 95 million tonnes. It is unlikely that the production target will be achieved.

Coal Crisis

—The country has been facing unprecedented coal crisis for the last two years. Steel plants, railways, power houses cement factories, textile mills tea gardens and others including domestic consumers are facing shortages of coal. Several trains have been cancelled in different railway zones due to scarcity of coal.

—Another problem related to the deterioration in quality of coal produced. India's reserves are largely of inferior qualities. Besides, coal supply to consumers is mixed with shales stones and other foreign materials. This increases coal consumption in factories and damages the boilers.

If coal is to play the role of the primary source of source energy in the country. it is essential to prepare well in advance a earefully planned perspectives of coal production. The inferior quality coal in the country further underlines the need for suitable action for exploitation of the known reserves under a well-coordinated plan. The development of washeries is an essential part of coal production. Power supply to collieries and washries should be maintained at an adequate and uniform level and suitable steps taken for an uninterrupted supply.

As the coking coal reserves are likely to get exhausted in about 40 yeors' time efforts need to be taken now for the conservation of coking coal. Its use for non-metallurgical purposes should be severely restricted and, if necessary, controlled by legislation.

The requirements of coal for industries is likely to rise steeply in the next two decadesto about five times the current level, particularly in view of the need for restricting the use of oil in boilers. Location of industries in future years has, therefore, to be carefully planned, which have to be dovetailed into the Plan for coal production and transport. In order to ensure a steady uninterrupted supply of coal to industrial consumers which will be asked to depend more on coal, coal dumps will have to be set up in major industrial centres and regions.

—Separate plans for development of coal mines near Haldia and Pradeep for export to Burma, Bangladesh and Pacific areas without affecting domestic supply have been proposed by the Fuel Policy Committee.

—Research studies should be conducted for studying the feasibility of transportation of coal by pipelines for superthermal power stations of 1000 MW capacity or more.

—The Fuel Policy Committee has suggested the setting up of a committee to assess the indigenous capacity in the manufacture of coal mining machinery which should study the existing capacity, fix import requirements, take steps to standardise the equipment and plan for production of sufficient quantity of spares which are in short supply.

—The Fuel Policy Committee does not forese any large size gas plants at pit-heads because of the difficulty of transporting gas for industrial and domestic uses to large distances. In major cities such as Calcutta and Bombay gas plants with smaller capacities are considered to be a viable proposition.

One of the special features of the Indian coal reserves is that it is concentrated largely in the eastern region and to a lesser extent in the north and western region which together accounl for nearly 95 per cent of the total known deposits. This means that there should be an adequate and efficient transport system for the distribution of coal to the centres of consumption which are spread all over the country. The development of an efficient transport system for coal assumes a greater importance in the context of the need for substitution of fuel oil by coal in boilers used by industry and for power generation. This is further enhanced by the requirements of soft coke for domestic and other purposes which have to be transported from the Bengal-Bihar coal fields to the urban centres at considerable distances from the coal fields.

—Rail transpost seems to be the most economical way of transporting coal particularly to long distances. At present 90 per cent of the coal despatches are by the railways. It is, therefore, essential that the performance of the railways in movement to consuming centres all over the country must be substantially imporved. The railways have always pleaded that the wagons required for movement of coal are not inadequate although the minimum guaranteed number of 6600 daily to the eastern and the south-eastern railways has never been achieved by the railways. On the other hand, there has been persistent shortage of wagons for rail movement although currently the situation seems to be somewhat easier than a few months back. The need for augmenting the wagon fleet should be carefully examined and wagon building should be planned well in advance and implemented with the highest priority. The efficiency of railway transport of coal should also be examined by all possible means.

—Transport and coal by railway should have to be suitably supplemented by other forms of transport. Transport of coal by road is now uneconomic except for short distances particularly after the increase in oil prices. Although India has a large coastline, movement of coal by shipping has not picked up for one reason or the other. The use of inland water transport is limited. The main burden for transporting coal to consuming centres has to be borne by the railways in future years. This underlines the need for streamlining the railway transport system for a smooth supply of coal and ensuring the available coal resources to the centres of consumption. Without proper coordination of the railway movement, efforts at increasing production of coal would not be useful. Transportation of coal must be cosidered as a part and parcel of our energy policy. Adequate attention must be paid to careful planning of railway transport with respect to augmentation of the wagon fleet, additional line capacity yard capacity, signalling and communication which would facilitate speedier turnround of wagons.

Main Issues

The main issues before the Conference in respect of coal are the following:

—If coal is to play the primary role in the supply of energy in future, in what manner should the future exploitation of coal mines to be planned to make the best use of the available resources—Are coking coal still being used for non-metallurgical purposes? If so, what are the ways of preventing such national wastes? What other suggestions can be made for conservation of coal resources?

—If the use of oil in industrial furnance and for power generation are to be reduced to the minimum, what steps can be recommended for ensuring uninterrupted supply of coal to industry and power plants which are located at great distances from the coal producing centres? Are coal dumps near the industrial and other consuming centres being planned sufficiently for this purpose? Is research being conducted to rove the efficiency of boi- using coal?

—Are adequate steps being n to maintain and increase coal production as anti- ted in the fifth Plan? Have s for an uninterrupted ply of power to collieries washeries been ensured? the mining equipment and res sufficient? Are imports hese being arranged well dvance?

—Are proper steps being en to ensure an adequate l uninterrupted flow of l to consumers by a pro- planning of the railway vement?

Oil

The recent history of eco- mic development through- the world underlines the portance of oil. The emer- ce of the automotive age ecent years has proceeded d in hand with the growth petroleum industry all r the world. There has n some significant trans- mation in the commercial rgy sources as well which sist largely in change over m solid fuels to uid fuels. In India, oil duction has grown rapidly. m a refinery output of y 0.21 million tonnes in 50, the output of petroleum ducts have grown to 19.1 llion tonnes in 1973.

—Petroleum products have umber of desirable proper- s. A tonne of oil combined dual virtue of possessing s volume than a tonne of l, while yielding 50 per t more energy so that nsportation costs decline stantially below those of l. Loading, unloading and rage also are facilitated ily, and oil is subject to s damage in transit than l. It burns more cleanly l in a more controllable fa- on. In many applications thermal efficiency is her.

—Before the Plans, most the demand for petroleum ducts of India were met m imports. In 1950, against efinery output of 0.21 lion tonnes, consumption petroleum products was million tonnes and imports in 1950 came to 2.99 million tonnes worth Rs 51.8 crores. Crude oil output also increased from 0.26 million tonnes in 1950 to 7.2 million tonnes in 1973.

Refining Capacity

—Most of the refinery capacities were set up during the Plan periods. From a capacity of hardly half a million tonne, the refinery capacity increased to 23.3 million tonnes by 1970. The fourth Plan target for 1973-74 was placed at 28 million tonnes of refinery capacity of which about 25 million tonnes capacity were to come up according to the programme.

—The demand for petroleum products has been rising rapidly over the last two decodes at a rate of about 9.4 per cent per annum. If consumption is not curbed deliberately the likely demand for oil products is expected to rise over 36 million tonnes by 1978-79. This could be met only by an installed capacity of about 39 million tonnes which is the capacity target set for the fifth Plan.

The requirements of crude oil have risen from 0.2 million tonnes in 1950 to 20.5 million tonnes in 1973. By the end of the fifth Plan a through put of 36 million tonnes of crude oil is envisaged for the refineries.

The main problem of oil as a source of energy is the supply of crude oil to the refineries. Crude oil output has, no doubt, been increased by exploration activities of the ONGC and Oil India. The maximum output of crude has been in 1972 at 7.37 million tonnes. The fifth Plan programmes envisages a crude output of 12 million tonnes. If the refinery programme of the fifth Plan has to be achieved an import of nearly 24 million tonnes of crude has to be made.

A new dimension has been added in the problem of crude supply by the increase in oil prices by the chief oil producing countries. Imports of 12.3 million tonnes of crude in 1973 cost Rs 144 crores but by 1973 the cost has gone up to Rs. 242.4 crores for an import of 13.4 million tonnes. There has been futher increases of prices since then, and the same level of imports, it is estimated, cost more than Rs 1000 crores at current prices. The import bill of the crude required for the fifth Plan target will on present prices come easily to more than Rs 2000 crores which is evidently beyond the ability of the Indian economy. The impact on the balance of payments position and the foreign exchange required would be prohibitive.

New Sources

The solution to this basic problem can be met chiefly by finding new oil sources within the country's boundary and off-shore through intensive exploration activity. This is a long term measure. The short term measures should aim at economising the use of petroleum products by various means.

The first suggestion is for reducing the demand for petroleum products by cutting all non-essential consumption. At present there are various types of petroleum products required for different uses. Amongst the major consumers are: road transport, power generation, industry, fertilizer and chemical production, civil aviation, etc. Uses like power generation, transport, fertilizer production and some essenindustrial use like Iron and Steel fall in the more essential categories and the scope for substitution or redection is limited. There is however more scope for reduction of fuel oil in certain industries according to some investigators.

This can be done only on selective basis in view of the urgent need to increase industrial production. Reduction in the consumption of other petroleum products like HSDO, kerosene, motor spirit, etc. has been closely examined by some investigators whose estimate for saving in the consumption of petroleum products is about 20 per cent of the current consumption of about 23.5 million tonnes.

—One way of conserving the oil resources is to reduce the consumption of kerosene oil in the rural areas by alternative sources of energy. Apart from rural electrification, an useful method is the Gobar Gas plant. This should be possible in view of the social benefits of the nutrient production possible from these plants in addition to less atmospheric pollution and has been strongly recommended by the Fuel Policy Commitee. Many gobar gas plants have already been set up in the country but not much is known about their actual working or their actual impact on saving in the use of kerosene. These should be more widely publicised among rural people and made readily available in rural areas.

Hydrocracking

—There have been some suggestions for diversion of heavy stocks like fuel oil and re-processing them through a process called 'hydrocracking'. It has been suggested that such diversion can lead to reduction of oil imports by about seven million tonnes and of the import bill by nearly Rs 450 crores. Such proposals for diversion should be carefully studied and given serious consideration.

—Conservation of petroleum fuels should also be care fully studied. Thus, increasing efficiency of the appliances, particularly in industries should enable larger savings in consumption of fuels. The National Productivity Council has set up a Fuel Efficiency Service a decade ago to advise the industries as to how to avoid wastage of fuel and energy. This service has benefitted several hundreds of industrial under-takings and has helped training about two thousand engineers in the techiques of efficient utilisation of fuel. There should be greater publicity, if not enforcement through legislation, to persuade industry to adopt these techniques for conservation of petroleum products.

—Dieselisation of the

railways should be stopped forth-with and steam traction should be depended on for the future development of railways.

—Certain other measures for immediate conservation of petroleum are being thought of and implemented in certain western countries. Amongst these measures are encouragement of community transport instead of individual transport, restriction on petrol consumption in automobiles and commercial vehicles by specifying limits for the automobile manufacturers, etc. Some of these are being adopted more or less in these countries, and as suggested by the National Productivity Council.

Pattern of Consumption

—The pattern of refinery production and the pattern of consumption of refinery products do not necessarily coincide. Thus, light distillates such as motor spirit, naphtha, etc. constitute about 17.8 percent of the production but the consumption was 14.76 per cent of the total consumption in 1973. Production of middle distillates like kerosene, HSDO etc. in 1973 was 51 per cent agist a consumption of 47 percent, and production of heavy ends like fuel oil, lubricants wax etc. constituted only 30 per cent against a consumption of over 33 per cent.

—Alternative sources for extraction of oil should also be explored fully. Squeezing oil from tar sands and oil shales and converting low quality coal to gas are technically feasible. While a tar sand project is known to involve large capital investment, extraction of oil from shales should be promising. China seems to have increased its crude oil production from seven million tonnes in 1963 to about 30 million tonnes by 1972. In 1973, Chinese crude oil production came to a total of 50 million tonnes which it is understood, is inclusive of oil extracted from coal and shale. Serious consideration should be given to this possibility with the help of technologists.

Substitution of Oil

—Substitution of oil by other sources of energy should also be explored fully. In rural areas there is extensive use of kerosene for lighting and cooking. Nearly half of the consumption of kerosene is for cooking purpose and about 40 per cent for lighting purposes and 10 per cent for miscellaneous uses such as village street lighting, railway signal lamps, preparation of gas for laboratories in educational institutions, cleaning equipment by the Army, fuel in some small scale units. etc. Construction of gobar gas plants and expediting the rural electrification work for village lighting seem to be the practical possibilities for substitution of kerosene by other sources of energy. Use of kerosene in railway signal lamps can be stopped quickly by substitution of lights fed from the mains or where this is not available by means of portable units powered by dry cells or batteries.

The main issues are :

—Explorations for new oil sources within the shores and off-shores being imperative, the question is whether exploratory activities are carried on sufficienrly and efficiently. Are the technical staff adequate in number and sufficiently trained? Are the equipment necessary and sufficient?

—Is it not possible to pursue the new oil findings such as the off-shore ones more vigorously and expeditiously?

—One way of improving the crude supply would be to explore the possibility of joint ventures with OPEC countries. Some beginnings are also made as is reported in Iran. Are we moving sufficiently in this direction through diplomatic propaganda and other activities?

Is the pattern of refinery production economic and efficient? Does it require changes? If so, in what direction?

If the pattern of consumption must necessarily differ from the pattern of refinery production are there are ways of conversation of particular oil products? If so, what are the fields in which this could be done and what are the means by which it could be enforced?

Electricity

One of the basic requirements of agricultural and industrial progress is the development of electricity. In India, power generating capacity has been installed dvring the British days. But the use of electricity was limited, and the per capita consumption in 1947 was as low as 13 kWh. Power generating capacity in 1950-51 was only 2.3 million kW.

—Power generating capacity increased largely during the Plan periods. The capacity increased to 18.87 million kW by 1973-74.

—Despite this increase, per capita consumption of electricity in India is one of the lowest in the world being 113 units in 1973-74 as against 13,000 units in Norway, 6,500 units in USA, 2,300 units in Japan. It is projected to increase to 185 units by the end of the fifth Plan.

—Targets of power generating capacity to be installed during the Plans have never been achieved—there being shortfalls of varying magnitude between 15 to 35 per cent, the shortfall in the fifth Plan however was about 50 per cent.

—Although the physical targets were not achieved actual investment has all through the Plan exceeded the Plan targets.

—Electricity generated per unit of installed capacity has been on the average low. The highest achieved in any year was about 3620 units generated per kW of capacity. Th figures for some power plan are:Nellore 7,900 units; Tat Electric 6,760 units; Bokar 3,960 units; CESC 3,74 units; Durgapur 2,860 unit Ennore 2,700 units.

—At the beginning of th Plan, about 76 per cent of th power plants were thermal an 24 per cent were based o hydro-electricity. By 1973-7 the share of hydro plants i creased to 36.9 per cent wher as that of thermal plant cam down to 60.0 per cent and 3 per cent of the plants we nuclear. Planned additions generating capacity during th fifth Plan are 16.55 millic kW consisting of 6.42 millic kW of hydro plants, 9.42 thermal plants and 0. million kW of nuclear plants

—The power supply pos tion has been consistently fa ing short of requirements f nearly two years. The avera shortfall in supply has been the order of 25 million un per day. The shortfall an cipated in November was million units against an India requirement of 2 million units per day. T point to note is that althou there are some states like R jasthan, MP, Kerala, Gujar Bihar, Orissa etc. where t requirements and availabil match each other, there is cc sistent deficit in all the otl states. The power shorta in the industrial centres su as Calcutta and Bombay ha particularly hit industrial pı duction adversely. The loss industrial production has be estimated at several crores rupees. Markets in forei countries have been lost as the case of jute manufacture

One important cause

Electricity Generated and Investment—1950-69 to 1969-74

		Fourth P
	1950-69	1969
Planned Addition (mill. kW)	18.60	9.
Achievement (mil. kW)	11.99	4
Shortfall %	35.5	50.
Planned Investment (Rs. Crores)	3196	24
Actual Investment (Rs. Crores)	6416	29

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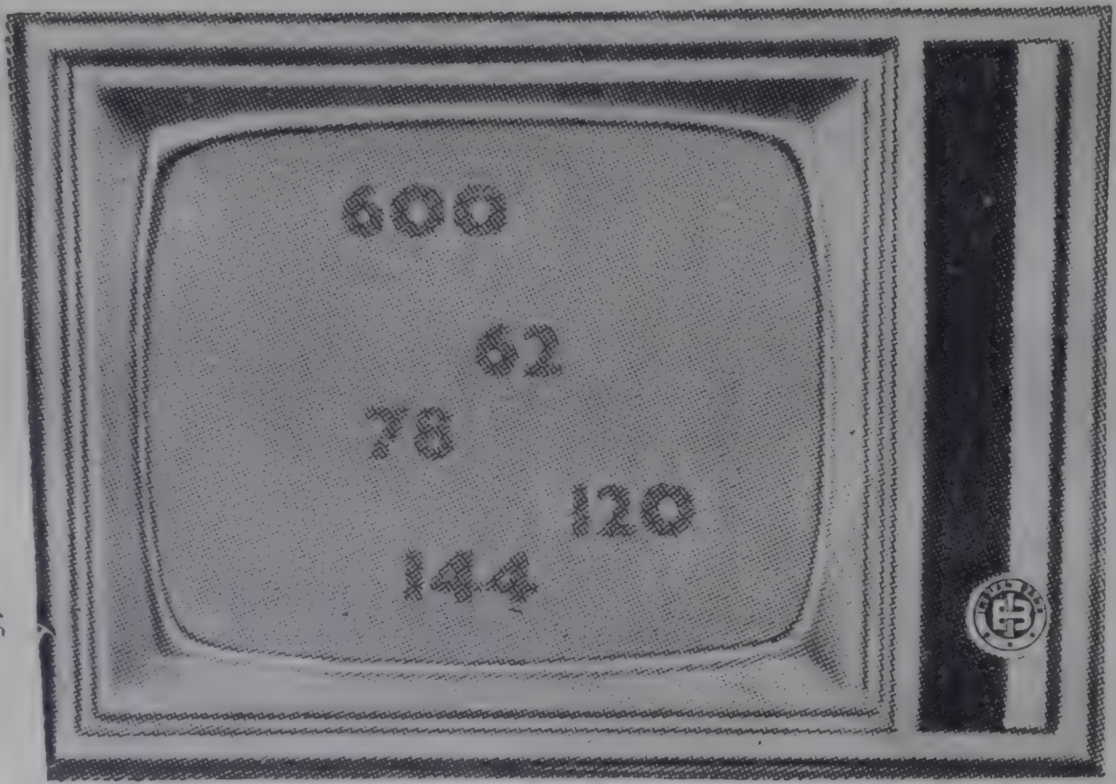

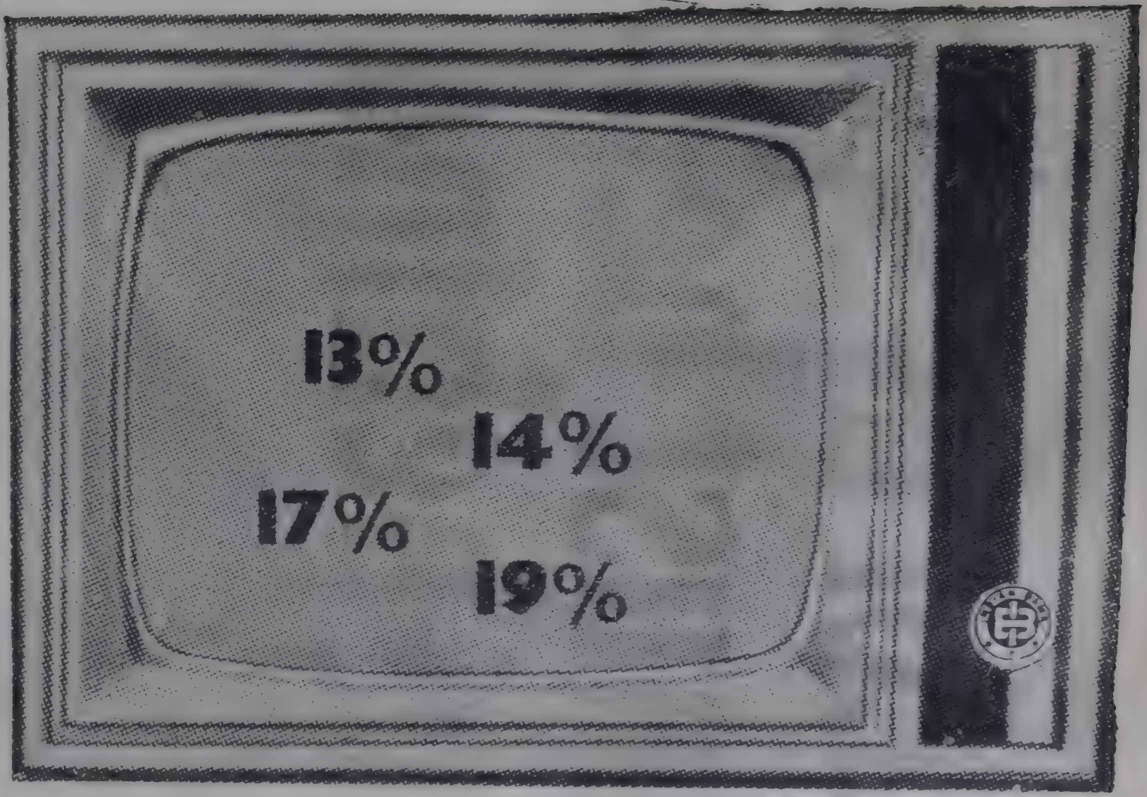

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15000	25082.50	27538.75	40605.00	49553.75
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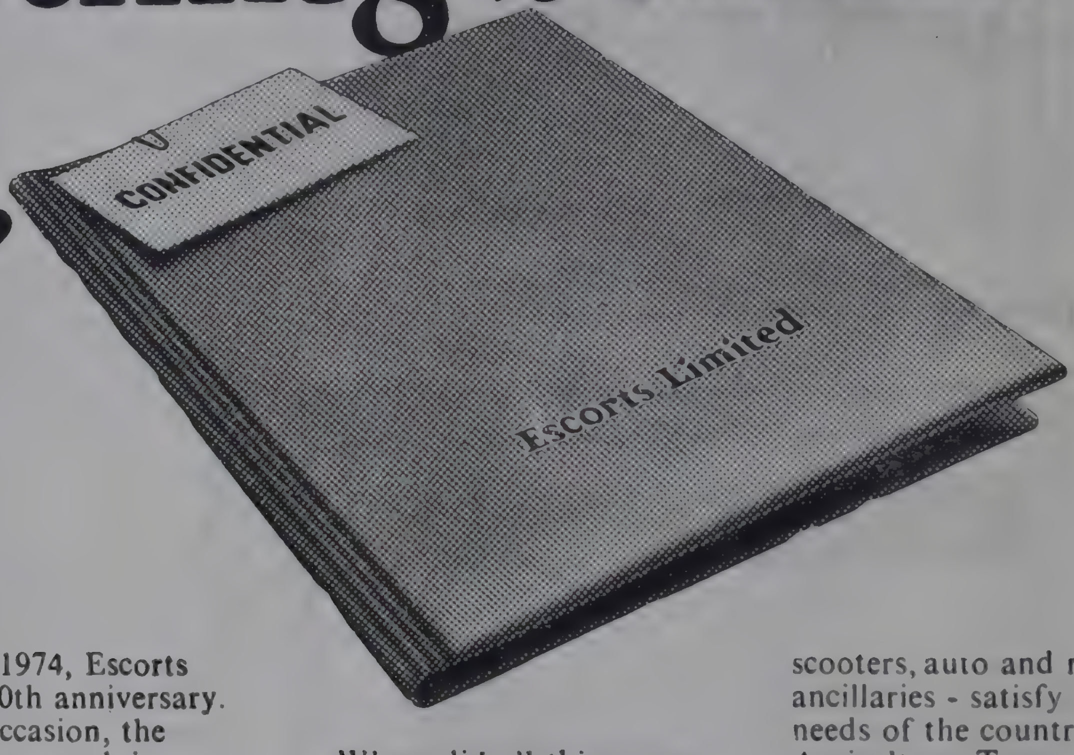

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e shortage of power is shortll in the achievement of ower generating capacity rgets. Power projects are nerally under the administative responsibility of the ate electricity boards or pecial authorities except for ome projects taken up directly y the centre. Delays occured in the installatlon of power enerating capacity for a umber of reasons such as reparation of feasibility stuies, delivery of power geneating equipment, diffusion of esponsibility for the power upply industry between a umber of departments and rganizations of the government, etc. Nearly two-thirds f the delay in the installation f plants in the fourth Plan ere attributed to the delay the delivery of main equipent, a quarter of delay was ue to non-completion of ivil works and the remainder ue to delay in finalization of gency, etc.

ffective Steps

—The deficiency in power roject implementation is due rgely to the fact that modern ethods of management and erformance budgeting were ot being utilised. It is undertood that effective steps are eing taken for evaluation and rogress of the implementaon of power projects in the inistry of Energy at present. his is expected to remove e important deficiencies.

—The organisational set p of the power supply industy has also been responsible r the delay and shortfall in e achievement of targets. he organisational structure f the power supply industry complex; the responsibility diffused; a number of maters coming under the puriew of the power organisaons involve other departents and ministries of the overnment which causes dey in taking decisions and nplementation. The need for single centralised agency as been felt and recommened by various study teams d seminars (such as FICCI ower Seminar in August, 973).

—It is understood that government have already taken effective steps in this direction by revitalisation of the Central Electricity Authority and the Regional Electricity Boards. This authority should have the ultimate responsibility for formulation of national power policy and planning of power projects; watching their progress and having ultimate responsbility for the implementation. It is also hoped that coordination of inter-state subjects in power supply, administration and development will also be better by the reconstitution of the organlsational structure of the power supply industry.

Improved Management

—The management of the existing power plants and transmission lines needs also to be improved to a considerable extent. The under-utilisation of power generating capacity already installed leads to national waste. This can be improved only by improving the efficiency of working of power plants and their maintenance. The supply of spares and components should be planned in advance. In particular, the spares for the old plants are often not available. Either a stock has to be kept or some indigenous units should be asked to produce the spares when required by suitable adjustment in the capacity of the plants. Facilities should be provided for overhauling and maintenance to avoid breakdowns and forced outages, There is need for a well-trained staff.

—Transmission losses in India are one of the highest. All-India average of transmission losses in India is about 17 per cent as against 6 to 10 per cent in foreign countries. Amongst the reasons for high transmission losses are inadequacy of inter-connections, inadequate size of conductors, low power factors and lack of integrated operation, unauthorised tapping of energy, sanction of additional loads in advance of adequate transmission facilities, etc. Transmission losses can be reduced by various means such as setting up of high voltage lines, expediting the work in respect of inter-state links which have been falling short from Plan to Plan and through better management of the power supply industry. The new organisational set up should be in a position to reduce this loss to a considerable extent through better coordination of work between the states and the central authorities.

—Captive power plants for self-generation and use by industry at present constitute abont 10 per cent of the total installed generating capacity. The Fuel Policy Committee has discouraged captive power plants. But in view of the persistent power shortage for two years it has been increasingly felt that important sectors of industry should be allowed to have more captive plants so that production in some vital sectors does not fall short due to power shortage from the public utilities. Government have been sympathetic to consider proposals in selective cases on merits. There are also cases when industrial undertakings have actually been using for renovation of old and discarded generating plants. This should be encouraged. Even import of usable second-hand plants from abroad should be allowed. On the part of the industry, it will be useful to consider integration into the State Grid System, so that whenever feasible, surplus power if any, could be provided to the state grid.

—As a matter of fact, in view of the acute shortage of power almost all over the country which has been persistent for nearly two years,

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it will be useful for government to consider the possibility of setting up power plants and genarating capacity jointly with private entrepreneurs. The private electricity undertakings also should be given assurance that such undertakings should not be taken over within a certain period of time so that it is possible for such units to plan their power supply programme on a definite basis.

Nuclear Power

—At present, there are two nuclear power plants at Tarapore and Rana Partap Sagar with a total installed capacity of 640 MW. The capacity of the latter is under expansion to 400 MW and the third nuclear station is to come up in Tamil Nadu with a capacity of 470 MW. The percentage share of nuclear energy in India already available is nearly 3.0 per cent. The fifth Plan programme comprises the commissioning of the second unit of the Rajasthan and the two units of the Kalapakkam stations. The Atomic Energy Commission is at present concentrating on the construction of a prototype 40 MW fast breeder thermal reactor in which plutonium and thorium would be used. When the fast breeder reactor come on line in the 1980s more plutonium is expected to be produced to form the basis for generation of electricity of a million MW. The future development of nuclear power is essential to provide power to industries located for away from coal and hydro sources. It is only through nuclear power development that divergencies in resource endowments in different parts of the country could be corrected to some extent. Urgent attention therefore needs to be given to nuclear power development as actually had been in government planning today.

—Moreover, as emphasised by the Fuel Policy Committee, the realisation of the projected nuclear programme depends upon the capabilities of the indigenous industries to produce many sophisticated and heavy components and special pumps and instruments required for the purpose.

—The Fuel Policy Committee has also examined the power problem carefully and made a number of suggestions:

(a) The requirements of power have been estimated on certain assumptions and are given in table below.

In order to maximise the generating capacity within the funds available and to generate cheap power a larger share of new generating capacity to be added in the next Plan should be derived from hydro stations. Source-wise, generating capacities suggested are given below.

(b) In the overall interest of the economy more and more thermal power stations should be located at pit-heads. In selective cases location of power stations at load centres should also be given due consideration.

(c) The realisation of the nuclear capacities will depend largely upon the capabilities of the indigenous industry to develop expertise for producing many of the sophisticated and heavy components and special pumps and instruments required for nuclear power stations. The nuclear programme will also depend upon the success in finding new uranium deposits by intensive exploration work.

(d) The power projects should be sanctioned and executed in time and sufficient funds be provided for the purpose.

(e) The relative social cost benefit analysis for electrifying different areas should be carried out with reference to the water potential in that area; the possibility of increasing agricultural and non-agricultural production in that area, etc. The rural electrification programme should be considered as an integral part of an overall rural development programme in which the suply of electricity is to be one of the inputs arranged by government.

(f) The electricity tariff should be such as to enable the electricity undertakings to earn a return of atleast 10 per cent on the investments made. There should be scope for discriminating rates of tariffs as between peak period and off period use, agricultural and non-agricultural use, etc.

—The main issues in respect of electric power before the Conference include the following:

—If the implementation of power projects are to be given top priority and not allowed to fall behind the schedule during the Fifth Plan, are the recent changes and streamlining of the organisational structure of the electricity supply industry sufficient to ensure this? What further suggestions could be made for ensuring that power projects come up according to schedule? Are these recent changes take care of the question of sufficient funds for the power projects? If not what suggestions could be made?

—Is the present pattern of generation of electricity by coal based, thermal, hydro and nuclear sources economic and resource-oriented? What modifications need to be made in future planning of electric power? To what extent power generation by oil-based thermal stations need t encouraged in the contex the international oil situa and rising oil prices?

—What is the role of lear power in future policy electricity generation? To extent nuclear power ca provided for industrial c lopment of regions which short of coal and hydro res ces?

—To what extent can utilisation of installed pc generating capacity be imp ed by better mainten and management? Have visions been made for the ply of raw materials for works and spare parts and c ponents?

—To what extent r electrification has been ponsible for high transmis losses? What are the metl of reducing transmission ses? Will the provision high voltage Inter-State l and corrective shunt caj tors be useful in reducing transmission losses?

—To what extent cap power plants can help m tain production of indus Is it feasible to integrate captive power plants into State Grid System for us stand-by source whenever sible?

Requirements of Power—1978-79—1990-91

Year	Forecast of Energy Consumption (bil. kWh)	Forecast of Energy Requirements (bil. kWh)	Installe Capaci (mil. k
1978-79	100.3	116.4	33.6
1983-84	167.7	193.6	53.0
1990-91	320.4	370.7	87.3

Source-wise Generating Capacity of Power

(Mil. kW)

	1978-79	1983-84	1990-91
Hydel	13.00	20.00	28.40
Nuclear	1.02	1.90	8.62
Thermal	19.55	31.10	50.30
Total ..	33.57	50.00	87.32

N.B. Thermal stations include coal and lignite based po stations.

me to think

THE KILLING of Lalit Narayan Mishra has shocked and saddened us. It cannot be otherwise, the political and personal
ersies which crowded his last days notwithstanding. The prime minister
of him as "large-hearted." That he was and more; for there were many personal
tes of his which made it easy to like him. A children's book version of every
good uncle, he was, in fact, a very unlikely candidate for assassination.

Yet the fact remains that he was murdered. It is clearly the first duty of the cent-
vernment not only to bring Mishra's murderer or murderers to book but also to
gate and bring out the full story of the crime to its last detail. This much the
party owes to the man and his memory. There is little doubt that it had
full use of him in its politics of power or money and there must always persist
ought that Mishra's life or at least his public life would have ended better
e been less committed to his party's interests in which he no doubt saw his
ncluded.

The prime minister has lost a political colleague who had served her well according
lights — and hers. It now remains for her to do the dead man a service. For
ns best known to herself she had been resisting a parliamentary or other appropri-
r adequate inquiry into allegations of Mishra's involvement in corruption in
nment or public life. While he was alive there was always a risk that some of those
made those charges would press them in terms of personal vendetta or partisan
cs. That danger has disappeared with his death. It should now be possible for
harges made against him to be inquired into in a dispassionate and objective
te of opinion. If Mishra was innocent, the prime minister and her other political
agues cannot better serve his memory than by making it possible for the facts to
stablished to the satisfaction of his countrymen. If on the contrary he was
y, and should this be proved, he is now past material harm, while his name and
ation would not suffer more than it would with all the mud sticking where it has
thrown.

There is, again, a supremely important consideration of public interest which
es it absolutely essential that the allegations of corruption in the central govern-
t and the ruling party which have centred in charges against Mishra should be
n out of the context of party politics and investigated and judged in terms of the
ic's right to be satisfied of the integrity of those whom the democratic process has
in positions of law-givers or rulers. We have lately been seeing how the great
ocracy of the United States has relentlessly been pursuing the logic of the accounta-
y of the government to the governed and this journal at any rate is not prepared to
cede that the citizens of the land of Gandhi are less deserving of this right of people's
ereignty than the men and women of the America of Abraham Lincoln.

Lesser men in Mrs Gandhi's party seem already to be fearful of these larger im-
ations of the Mishra murder. Pathetic prisoners of party politics as they are, they
not seem to know any better than try to make political capital even out of a
league's violent death. The present president of the ruling party, for instance, is
orted to have delivered himself of the opinion that "what was started as an attempt
character assassination has been followed up by cruel and loathsome murder." If his
rds mean what they seem to do, Mr D.K. Barooah must know more than the rest of
seem to do about who had killed Mishra and why. His predecessor in the party
st has declared with ill-timed pomposity that fascism has claimed its first victim.
seems as if Dr Shankar Dayal Sharma is convinced that more murders are in the
ing. It even sounds as if he is contemplating the prospects with easy fatalism. As
e *Times of India* has suggested while commenting on a similarly ill-advised pronounce-
ent by the deputy minister in the Railway ministry, Mr Buta Singh, the nation will
ly treat with contempt and ridicule any effort on behalf of the ruling party to exploit

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ECONOMIST

JANUARY 10, 1975

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the assassination of Mishra for inflaming public sentiments against political movements in the country which may be exercising their democratic right to protest against the abuse of power by the ruling party or raise debates over issues of public interest.

Deep and large as her personal anguish or private sorrow must be over the tragic death of Mishra, the prime minister should surely lose no time in giving a proper lead to her partymen. She herself has charged "the forces of disruption which have come to the fore lately" with indirectly encouraging an atmosphere of violence "which is responsible for this dastardly crime." The prime minister is certainly entitled to her view when it is expressed in these general terms, although some of us might surely wonder whether forces of disruption had been only "lately" let loose in our public life. The naked and unashamed march of power politics in the government of the country since the split in the Indian National Congress has after all been a rather lengthy process spread over quite a few years.

Whatever may be the verdicts of particular elections as reflected in the size of majority a party may come to acquire in the legislature, the fact remains that this country can be governed peacefully and constructively only if the government of the day is responsive to the people's needs and accountable to it for its actions in a way which transcends its merely formal right to exercise its power to the limits of its physical or legalistic domination of the legislature. In any political society there will always be disruptive forces. It is up to governments coming into power through the democratic process to ensure that these disruptive forces do not become more than fractional or marginal. This these governments can do only by themselves strictly abiding by the rule of law in letter and spirit. Failure on their part inevitably leads to subversive forces flooding into the mainstream of politics or public life. The prime minister has expressed her hope that "the crime will induce rethinking in the country and redirect political life along saner lines." In this respect as in many others the country's powerful ruling party and its undisputed leader are clearly in the best possible position to give the right lead to the people.

Dual pricing and its merits

WHILE ADDRESSING the Indian Merchants' Chamber at Bombay recently, the prime minister, Mrs Indira Gandhi, was reported to have disfavoured the extension of the dual pricing policy to a majority of the essential consumer products. She said that this policy would be acceptable to the government only if a certain portion of production was made available for vulnerable sections of society at prices which could be subsidised by the sale of the rest of the production. Explaining further as to why she was opposed to increasing the coverage of this policy in the economy she said that she was afraid that the business community wanted to have normal profits on the output surrendered to the public distribution system and abnormal profits on free sales. And in the process the quality of the products meant for public distribution was sacrificed and the consumer got a raw deal, she added.

It seemed that the prime minister's fears were founded on ill-conceived notions of the dual pricing policy. It was true that this policy was meant to provide support to weaker sections of society by the supply of essential commodities at cheaper prices. How the prime minister had come to the conclusion that the business community wanted to have normal profits for output surrendered for the public distribution system and abnormal profits for free sales, was not clear. The only commodity in the case of which the dual pricing policy had been adopted in this country and which had worked with remarkable success was sugar. (The cotton textiles industry had not tried dual pricing policy with the same earnestness as sugar). The sugar factories surrendered every year 70 per cent of their output for distribution to the public at relatively low prices which far from throwing up surpluses for the sugar factories, the source of substantial losses w were covered by the sale of the free s at market prices. It did what the p minister wanted it to do under the pricing system, i.e. subsidising the su of cheaper sugar to the public distribu system which handed out bulk of it am the poorer sections of society.

This was abundantly clear from actual price paid by sugar mills for purchased by them. For example, average statutory price fixed by the vernment for sugarcane in 1972-73 east UP was Rs 8.80 per quintal but actual price paid was Rs 12 per quin In western UP the average statutory p fixed was Rs 9.29 per quintal but the su mills had paid as much as Rs 13 per qu tal. The cane prices actually paid factories in some important sugar prod ing regions during 1967-68 were betw Rs 16 and 17 per quintal while the sta tory minimum cane price varied b ween Rs 7 and 8 per quintal. Since quota sugar prices were fixed on the ba of the statutory minimum prices of sug cane it was obvious that the prime mi ter's charge that the industry has had n mal profits in respect of quota sugar a abnormal profits on free sugar was n based on facts.

The policy of controls over producti distribution and prices had not succeed in increasing production in the mann envisaged by the planners since the begi ning of the first five-year Plan peri Sugar had been under control for 32 yea followed by vanaspati for 27 years, ceme for 18 years, fertilisers for 17 years, mot cars for 15 years, textile machinery a newsprint for 12 years and commerci vehicles for 11 years. The industry w rightly against the institution of contro because it invariably operated as a bra on increased investment and conseque expansion in production. It had accepte partial control or dual pricing of industri products as a second preference becau it has operated reasonably well in the cas of the sugar industry. In a recent stud made by the Federation of Indian Cham bers of Commerce and Industry entitle "Towards the dynamic economy" it wa suggested that the dual pricing polic should be extended to all the importan ial commodities because it combined dvantages of protecting the special ries of consumers and at the same leaving sufficient incentives to try to expand its productive capacity. policy ensured that a class of consu- (whom the prime minister termed ulnerable section) got the consumer ucts at subsidised prices while in- y made up the loss from sales to r sections which were able to pay the ket prices.

en after having recommended the dual ng policy to the government the CI had rightly pointed that price rol could be gradually removed if luction could be made to increase. approach suggested was that in the of commodities which were not under e control, additional licences should given whenever shortages occurred to inadequate capacity and every faci- should be provided to industry to in- se output so as to match demand in the shortest possible time instead ubjecting it to price controls. In the of commodities which were subject price control, incentives were needed make new investment over expansion thwhile. This could be done either waiving price control in respect of production for a period of three rs or by devising different retention ces for different units with a common e for consumers. The pool could operated in the manner that an investi- surplus was generated.

The course of the Indian economy dur- the past three decades had made it undantly clear that controls in what- er form were not conducive to increased oduction. Even Gandhiji had advoca- the abolition of controls in the case cotton textiles immediately after Inde- ndence . The government of India had ly recently conceded this point while thdrawing distribution and price con- ol on vanaspati, Here was an industry hich had an annual installed capacity more than 1.2 million tonnes but was t in a position to supply even 0.5 mil- on tonnes of output which was the maxi- um demand of the country. This was e direct outcome of the controls under hich it operated. Seeing that the basic ritant, i.e. the reduced supply of raw materials(oilseeds) was removed due to good harvests for two years, it rightly decontrolled the industry ignoring the FICCI suggestion of partial control or the dual pricing scheme. It did likewise in the case of Ambassador and Standard cars.

The chief merit of the dual pricing scheme was that it ensured the supply of essential commodities to lower strata in society at cheaper prices and fulfilled an essential purpose. The success of the scheme in the case of sugar clearly demonstrated that it could be profitably extended to other commodities but not to cement or steel which were not necessarily consumed by vulnerable sections of society. The prime minister's misconception that the industry tended to make exborbitant profits both on the quota and free sales of products was not based on facts. However, the units which tended to cheat the consumer through a reduction in quality could certainly be pulled up. The scheme in all fairness needed to be given a trial wherever chronic shortages in supply had persisted over a long period. The performance of the sugar industry had clearly proved that production could be slowly but steadily increased under the dual pricing system as well.

Difficult ways and means position

THE CENTRAL government is finding itself in a difficult position to meet fully Plan expenditure after overcoming completely the over-runs on non-Plan account even with the mobilisation of record revenue and capital resources. As in the period of emergency in 1971-72 a massive attempt has been made to increase tax revenues with the levy of new taxes in an interim budget. The Railways too presented a supplementary budget. While the Posts and Telegraphs department has been increasing its revenues with higher rates for all its services. In spite of the severe burden imposed on the community the central government is bemoaning all the time that the required resources are not available for all purposes and there will have to be a considerable pruning of expenditure if the overall deficit is not to be allowed to exceed the budget estimate of Rs 125 crores.

The union Finance minister, Mr C. Subramaniam, only, recently indicated that the targets for revenues from direct and indirect taxes were being more than fulfilled. While it will not be correct to base any estimates of revenues on the collections for the first six months of the current financial year, there is no doubt that the budget estimates will be easily exceeded, the additional amount available on revenue account being at least Rs 100 crores. Capital receipts too may be higher than the estimates by even Rs 250 crores as the profits realised on exports of sugar alone will be a minimum of Rs 125 crores while rupee resources against special credits for importing foodgrains may fetch another Rs 25 crores. The Finance minister will thus have at his disposal an extra amount of Rs 350 crores in both the revenue and capital budgets and any over-run on non-Plan account should be capable of being absorbed especially as net borrowing through open market loans will be according fully with budget estimates.

There is however no indication that the ways and means position of the central government is comfortable as its deposits in the Reserve Bank have been barely above the minimum of Rs 50 crores and it was only during the week ended December 20 that these deposits recorded a rise to Rs 85.62 crores from Rs 54.88 crores, with the collection of large tax dues. There would have been of course a much bigger rise under this head but for the cancellation of ad hoc securities for a sizeable amount in order to neutralise to a certain extent earlier doses of deficit financing. This procedure is obviously being adopted in pursuance of the declared objective of containing deficit financing within tolerable limits. An analysis of the data available from the weekly returns of the Reserve Bank shows that the increase in holdings of rupee securities, treasury bills and investments in the Issue and Banking departments between March 28 and December 20, 1974, has been only Rs 347 crores against as much as Rs 639 crores in the corresponding period in 1973. This is certainly an indication that the creation of currency is taking place on a much smaller scale than in the previous two years particularly as there were earlier reports that there had been a throw-forward of part of the overall deficit of 1973-74 with delayed payment of outstanding bills and an increase in the pressure on the banking system by requiring public sector units to return their loans to the government to the extent possible and secure the required credit from banks.

The quantum of deficit financing in the first eight months however would have been on a larger scale if the government had not denied payments against additional dearness allowances to its employees. The arrears of three instalments alone will be around Rs 125 crores while there may be additional liability in respect of two other instalments for about Rs 40 crores. The total commitment may therefore be around Rs 265 crores against earlier assumption of Rs 212 crores and the budget estimate of Rs 120 crores, though the full effect of five or six additional payments will be felt fully in 1975-76. On the basis of an extra commitment of Rs 63 crores on account of dearness allowances and the increase in non-Plan expenditure in other directions the ways and means position should not be so difficult as it has been so far nor give rise to the frequent reports that deficit financing may be easily Rs 700 crores. It is not also known how the profits from sugar export have been utilised up to now. There is of course a fairly large amount still to accrue in the coming months as the higher priced exports will be effected only in the first quarter of 1975.

There is no justification therefore for saying that there will have to be a drastic pruning of Plan expenditure on central account and a different policy will have to be adopted for payment of dearness allowances when the required resources are in sight. The centre will of course have some difficulty in resisting the claims of the state governments for special assistance for carrying out flood and drought relief operations. Even if it is stated that there will be no large grants and only advance payments will be effected against Plan allocations for subsequent years, the union Finance ministry will still have to find the required resources. As election prospects are even now being assessed and there is no desire to adopt an extremely harsh attitude the centre may eventually have to find about Rs 250 crores additionally for drought and flood relief and for implementing a crash programme for boosting agricultural production. This compulsion is probably worrying the government especially as the states may not have the required resources for Plan purposes if they have also to disburse larger amounts by way of additional dearness allowances.

There is however no denying the fact that the centre cannot expect to do better than it has done so far in respect of mobilisation of resources. The additional dearness allowances will have to be paid to the government employees. It can perhaps be decided that instead of immobilising completely the frozen portion of additional dearness allowances the centre may be allowed to divert the frozen portion for Plan purposes. This will in effect mean an increase in the borrowing of the government by over Rs 135 crores. Along with the other receipts it should not be difficult to maintain Plan outlay at the desired levels and yet avoid large-scale deficit financing. There can of course be changes in allocations on Plan account for releasing larger funds for core projects. On no account however should there be any serious shortfall in Plan expenditure on central account as this will affect seriously the calculations of many industries.

The government can hope even to raise additionally Rs 100 crores through tap sales out of reissue of earlier loans if there is no aggressive demand for funds from industry and trade in the next three months and banks are not feeling uncomfortable. It can also be decided that the remaining impounded cash balances of Rs 120 crores should be released with a lowering of the cash reserve ratio to three per cent from four per cent. The Reserve Bank has deliberately or otherwise adopted this policy for securing resources for the government. The liquidity ratio was raised to 33 per cent from 32 per cent when the cash reserve ratio was reduced by two per cent from seven per cent. With a further reduction in this ratio to four per cent in December the last phase of the borrowing programme has been successfully completed. In the first two phases, an aggregate amount of Rs 416.07 crores was raised. In the third phase there were two reissues for Rs 75 crores.

The lists for 5¼ per cent 1978 loan and 6 per cent 1988 loan were opened on December 28, 1974, and closed on the same day on being fully subscribed. As the notified amount was Rs 75 crores the target of Rs 498.36 crores for net borrowing has been fulfilled, It would not be surprising if in the name of containing deficit financing there was an attempt to raise additionally Rs 100 crores through fresh re-issues before March as stated earlier and adopt a flexible credit policy. Since major decisions are involved and complicated accounting procedures have to be completed, the revised estimates for 1974-75 on both revenue and capital accounts have more than usual significance. It can only be said now that the government could not have been more successfull in mobilising resources than it has been in the current year and if there is nevertheless a large uncovered gap it has only itself to blame for not managing its resources budget properly.

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Indo-Bangla trade prospects

PROF. D.P. Chattopadhyaya, our Commerce minister, and Mr Mustaq Ahmed, his counterpart in Dacca, have expressed the hope that the new Indo-Bangladesh trade agreement would give a big boost to the flow of goods between the two countries. Similar sentiments were expressed by the Commerce ministers when the first Indo-Bangladesh trade agreement was signed in March 1972. But, despite many favourable factors, Indo-Bangladesh trade failed to gather momentum and the rupee payment arrangement had to be abandoned. The switch-over to payment in freely convertible currencies with effect from January 1 is expected to contribute substantially to the expansion and diversification of trade but this will be possible only if New Delhi and Dacca learn the appropriate lessons from past experience.

The protocol signed in New Delhi on December 17 refers to the determination of the two countries to increase and improve their two-way trade. There is no doubt that if both countries make sincere efforts in this direction, the results will be mutually beneficial. India is in a position to supply a vast variety of traditional and non-traditional products which Bangladesh has been importing from distant countries. Especially the engineering industries of India can offer consumer goods and also industrial machinery, spare parts and many sophisticated equipment. At the same time, Bangladesh will find in India a large and profitable market for many of the goods that she can export.

The trade agreement of September 1973 had in fact identified many items for export from India and for import from Bangladesh. It had envisaged that India would export coal valued at Rs 60 million, unmanufactured tobacco for Rs 52 million, raw cotton for Rs 75 million, cotton yarn for Rs 20 million and cotton textiles for Rs 10 million. There was also provision for the export of other items such as bicycles, pharmaceuticals, chemicals, spices and sports goods. The main products to be imported from Bangladesh under this agreement were raw jute for Rs 200 million, fresh fish for Rs 35 million, newsprint for Rs 45 million, besides other items. The Indo-Bangladesh agreement, signed in New Delhi on May 17, 1974 by Mrs Indira Gandhi and Sheikh Mujibur Rehman, also provided for the expansion of trade in some directions. India had agreed to provide three credits totalling Rs 410 million to Bangladesh to be used to finance the cost of imports from India of railway wagons, coaches, and other equipment, power equipment, agricultural and other industrial machinery.

But the trade did not expand, as envisaged in the previous agreements, mainly because Bangladesh did not have sufficient surpluses for export of certain items while, in the case of others, she found it more profitable to sell them against free foreign exchange. Dacca, on the other hand, complained that India's STC and the MMTC had not been able to deliver the goods at the time and in the manner they were expected to do under the agreements and that, in some cases, the quality was not according to specifications. But it is expected that, under the system of payment in free foreign exchange, both countries will have the inducement and incentives to sell to each other.

It is not clear from the protocol what exactly will be the role of the private sector in promoting the trade between the two countries. In the protocol that was signed recently between India and Pakistan it was specifically stated that trade would be conducted on a government to government basis in the initial stages. It is hoped, however, that, in developing trade with Bangladesh, New Delhi will not only allow but even encourage the private sector to play its part. The state trading agencies will, of course, continue to have an important role but, surely, it will be an advantage to the country to avail itself of the experience of the business community in building up this trade. The import requirements of Bangladesh are substantial and will continue to increase steadily in the coming years. It will therefore be necessary for Indian exporters to know what specifically are the various goods that are being imported by Bangladesh, the countries which are supplying them, and the prices at which they are obtained. India's Commerce ministry should instruct the export promotion councils and the commodity boards to take a special interest in developing trade with Bangladesh by exchanging delegations and study teams, by arranging exhibitions and fairs, and by opening showrooms in Dacca and other commercial centres.

A major impediment to the promotion of Indo-Bangladesh trade has been the absence of transport facilities by sea, river and road. The services provided by the Shipping Corporation of India and the Bangladesh Shipping Corporation were said to be irregular and inadequate. New Delhi and Dacca should immediately look into this problem and see to it that transport facilities are readily and promptly available on both sides at reasonable costs.

The protocol gives no indication as to whether the two countries have any idea to evolve a joint approach in regard to jute. When Bangladesh came into existence it was widely expected that both Delhi and Dacca would actively cooperate with each other in regard to various aspects of the development of the jute industry and thereby counter effectively the threat from synthetics. But so far neither the governments nor the industries in both countries seem to have given serious thought to this question.

It is indeed surprising that the new trade protocol has evoked practically no interest in West Bengal although this state is ideally situated to be an important supplier of a variety of goods to Bangladesh. The West Bengal government has often pointed out that the share of this state in India's foreign trade has declined in recent years due to various reasons. But now that the power situation in West Bengal has improved and industries are able to step up their production, it should be possible for this state to find a market for her various goods in Bangladesh especially those of the engineering, chemical, pharmaceuticals and other industries. About two years ago, the state government had set up a cell in the secretariat for promoting the trade with Bangladesh. But this cell has remained inactive. In view of the new export opportunities that are now available in Bangladesh, the government of West Bengal should take the necessary steps to enable its industries to sell their products in this market at their doorstep.

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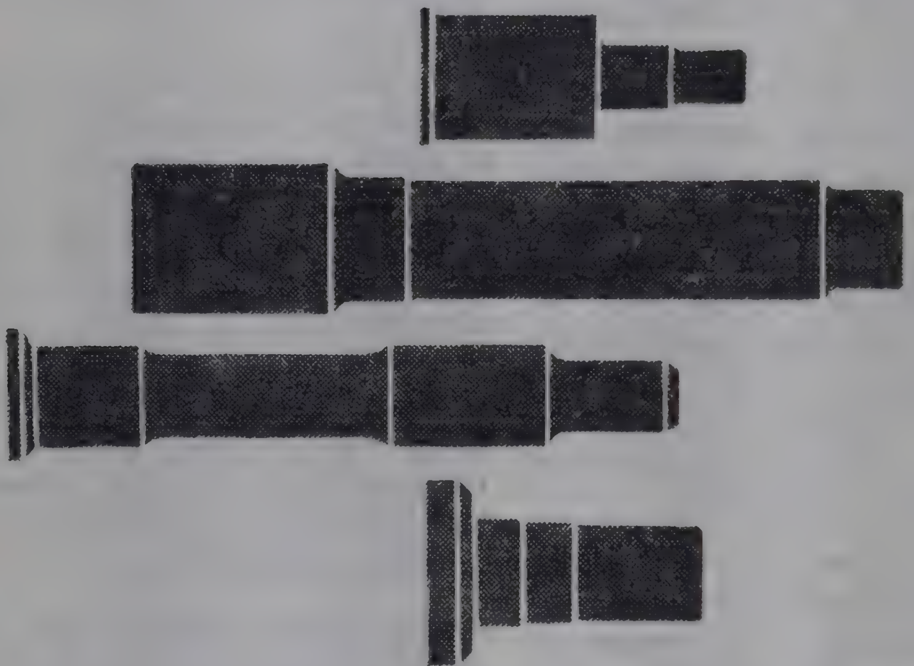

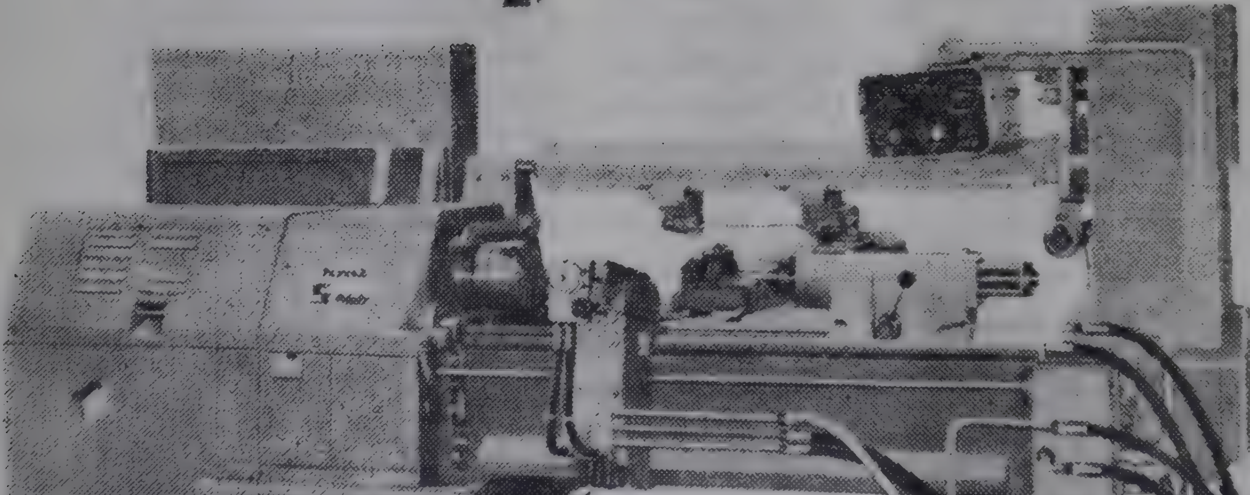

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POINTS OF VIEW

Farm size, productivity and some related aspects

Rajvir Singh &
R. K. Patel

HE FARM management studies conducted y the ministry of Agriculture provided a ealth of data to examine the efficiency Indian agriculture. A number of con- usions were drawn from these studies y the different workers which had their earing on economic policies (*see* Sen , 4: Mazumdar 2, 6; Hanumantha Rao , 7; Khusro 5; Rudra 9, 11; Saini 12, 14; Usha Rani 15; and Bhattacharya 16). One of the important findings of these tudies was that there existed significant ifference in factor intensities and input-utput ratios between different size classes f farms. More specifically it was ob-erved that (i) the output per acre is in-ersely related to the size of farm as measured by area; (ii) the input per acre total cost including payment for all the actors of production) is inversely related to size of farm; (iii) the profit per acre is directly related to size of farm; and (iv) the farms are operating at constant re-turns to scale. The last three conclusions were accepted by most of the economists. However, the first conclusion, i.e. the out-put per acre is inversely related to size of farm, started a controversy and workers in this field offered different explanations for this relationship (*see* Sen 1, 4; Mazumdar 2, 4; Hanumantha Rao 8; Rudra 11; Sanyal 13; Usha Rani 15; and Bhattacharya 16).

vast opportunities

During the last decade yield increasing technology, such as high yielding short duration varieties of crops, increased use of chemical fertilizers and pesticides and enhanced irrigation facilities, have opened vast opportunities for rapid growth of agricultural production and realisation of higher income per unit of area. Consequently, it was felt that the relationship of output and input with the size of farm might have changed (*see* Saini 14; and Bhattacharya 16). However, the empirical work to examine the relationship of output and input with farm size in the context of recent technology has been limited. Therefore, the present study is an attempt at examining these relationships in an area which has been well exposed to latest technological developments.

Meerut district of Uttar Pradesh which has the top rank according to agricultural development in the state was selected for the present study. Out of 20 blocks of the district, the blocks where the holdings were consolidated prior to 1968 were arranged in descending order of the percentage area under Mexican varieties of wheat*. First two blocks from the top were then selected and the same criterion was used to select two villages from each block.

personal verification

The data on the operational holding of all the farmers of these four villages were collected from local revenue officials and were verified by personal enquiry. All the farms were, then, arranged in an ascending order with regard to size of operational holdings. Those top farms, which occupied one-third of the total area of all farms, were classified as small farms; the next slab of the farms occupying another one-third of the total area were categorised as medium farms; and the remaining farms were termed as large farms. Thus, small farms comprised operational holdings of less than three hectares, medium farms three to less than 5.5 hectares and large farms 5.5 hectares and above. Sixty farms from each block were selected at random according to probability porportional to the number of farms in each size class and the total sample, thus, included 120 holdings in all.

The selected farmers were interviewed personally with the help of specially structured schedule and the data on the physical input-output of the crops, prices of inputs and outputs, wages of labour, fertility of land (consolidation assessed value fixed for each plot by the revenue department of the state at the time of consolidation of holdings) and on the inventory of all the assets were collected pertaining to agricultural year 1969-70.

dependent variable

To examine the relationship between output and farm size an equation of the form, $Y=a\,X^b$ may be fitted where Y may be taken as output per hectare or total output of the farm. However, it has been widely observed that the use of per hectare data introduces an element of non-linearity in the data. Therefore, per farm data were used as dependent variable and the size of farm in standard hectare as an independent variable. In this case regression coefficient of land would be positive but less than unity if output per standard hectare declined with the size of farm; positive and equal to unity if output per standard hectare remained same with the size of farm; and positive and greater than unity if the output per standard hectare increased with the size of farm (7). The fitted equation between output and farm size was as follows:

$$\text{Log } Y=3.6125+\underset{(0.0662)}{1.0811^{***}}\log X_1$$

$$N=120 \quad R^2=0.8153$$

where

Y=Gross returns on the farm in rupees

X_1=Size of farm in standard hectares†

R^2=Coefficient of multiple determination.

N=Number of observations.

The regression coefficient of farm size

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*The percentage area under Mexican varieties of wheat was taken as an index of adoption of new technology.

†The area was standardised using the assessed value of land as an index of fertility fixed for each plot by the Revenue Department of Uttar Pradesh. Therefore,

$$X = \frac{\Sigma\ A_1\ V_1}{16}$$

where,

X=Size of farm is standard hectares

A_1=Area of one plot in hectares

V_1=Assessed value of the plot in annas.

was positive and significant at one per cent level indicating that the total output per farm increases with an increase in farm size. Though the regression coefficient with respect to farm size was greater than unity, but the difference was found significant only at 30 per cent level which may not be considered as an appropriate level to conclude a positive relationship between output per standard hectare and farm size. However, it may be concluded that in the context of recent technology there is no indication of inverse relationship between output per hectare and farm size and, therefore, the hypothesis of inverse relationship is rejected on the sample farms.

The inverse relationship of output per hectare and farm size in the farm management studies was attributed to the fact that the small farms were using more input per unit of area than the large farms. Therefore, an attempt is made here to examine the relationship of total cost with farm size by fitting the following equation:

$$\text{Log } C = 3.6089 + \underset{(0.0392)}{0.9311^{***}} \log X$$

$$N = 120 \qquad R^2 = 0.8817$$

where

C=Total cost on the farm in rupees

X=Size of farm in standard hectares.

The regression coefficient of farm size is positive and significantly less than unity at 10 per cent level indicating that with an increase in farm size there is significant decrease in the total cost per standard hectare. Therefore, the explanation of output being constant or increasing with farm size does not lie in the total cost which showed a decreasing trend. It may only be attributed to the use of growth promoting inputs which showed increasing trend with farm size. From the table below it may also be observed that the use of conventional inputs such as human labour and bullock labour per standard hectare is decreasing with an increase in farm size while the use of growth promoting inputs and machinery and implements is increasing with the farm size.

To examine the relationship of profit and farm size the following equation was fitted taking per farm profit as dependent variable and farm size as independent variable:

$$\text{Log } P = 1.2237 + \underset{(0.6750)}{2.0521^{***}} \log X$$

$$N = 120 \quad R^2 = 0.1832$$

where,

P=Profit on farm in rupees

X=Size of farm in standard hectare.

The regression coefficient in this case is positive and significantly higher than unity at 20 per cent level of significance indicating that at this level the profit per standard hectare is increasing with farm size. This finding supports the earlier findings that the profit per unit of area and farm size are positively related.

The examine the nature of returns to scale on the sample farms, the following Cobb-Douglas type of equation was fitted to the data.

$$Y = a\, X_1^{b_1} X_2^{b_2} X_3^{b_3} X_4^{b_4} X_5^{b_5} X_6^{b_6}$$

where

Y =Gross returns on the farm in rupees.

X_1=Area of the farm in standard hectare.

X_2=Plough unit (comprising one pair of bullock and one man associated with that) in days.

X_3=Irrigation in hectare-centimeters.

X_4=Manures and fertilizers in rupees.

X_5=Human labour in days.

X_6=Machinery and implements in rupees.

Out of two variables which had high inter-correlation only one, which showed higher correlation with returns, was retained in the equation. In the final equation only those variables were retained whose coefficients were significant at least at 20 per cent level and the same were as follows:

$$Y = 59.2463\ \underset{(0.1005)}{X_1^{0.3770^{***}}}\ \underset{(0.1040)}{X_2^{0.3759^{***}}}\ \underset{(0.0859)}{X_6^{0.4830^{***}}}$$

$$N = 120 \quad R^2 = 0.8704 \quad \Sigma b_i = 1.2359$$

$$\text{S.E.}(\Sigma b_i) = 0.0466$$

In the Cobb-Douglas type of equation the regression coefficients indicate directly

Levels of Labour and Capital Inputs and Estimates of Returns, Costs and Profits Per Standard Hectare on Farms in Meerut District (1969-70)

S. No.	Items	Small Farms	Medium Farms	Large Farms	All Farms
	A. Inputs				
1.	Human labour (days)				
	(i) Family labour	227.05	112.49	45.65	136.35
	(ii) Hired labour	61.33	146.69	168.37	120.48
	(iii) Total	288.39	259.18	214.02	256.82
2.	Bullock labour (days)	95.46	81.29	71.43	83.77
3.	Machinery and implements (Rs)	143.33	154.00	290.30	190.80
4.	Growth promoting inputs (Rs)	849.00	1015.15	1018.81	908.79
	B. Gross returns (Rs)	4252.45	5081.65	5174.25	4791.58
	C. Total cost (Rs)	3709.78	3612.23	3445.70	3599.67
	D. Profit (Rs)	542.67	1469.42	1728.53	1191.91

Human labour: The actual number of labour used for crop production.

Bullock labour: The actual number of bullock pair used for crop production.

Machinery and implements: The annual depreciation on machinery and implements.

Growth Promoting Inputs: Expenditure on fertilizers, manures, pesticides, seed and irrigation.

Gross Returns (Y): Value of main product as well as by-product of the crops grown on the farm evaluated at harvest prices.

Total Cost (C): All cash and kind expenses on the farm comprising wages of hired labour, value of bullock labour — hired and owned, seed and manures, (farm produced and purchased) fertilisers, irrigation charges, interest paid in cash, depreciation on implements, rent paid and rental value of owned land, interest on owned fixed capital excluding land and imputed value of family labour.

Profits (P): Gross returns (Y) *minus* Total cost (C).

asticity of production of each input nd the sum of these elasticities indicates ie nature of returns to scale. The return o scale is decreasing, constant or increasng as the sum of elasticities is less than, qual to or greater than unity. The sum f elasticities is 1.2359 which is significant- y higher than unity at one per cent level ndicating increasing returns to scale in he area under study. Therefore, the hyothesis that Indian agriculture is operatng at constant returns to scale is rejected n the context of the new agricultural echnology.

esting the validity

The present study has been directed to est the validity of some of the conclusions drawn from the farm management studies in the context of recent technological development. More specifically he following were tested: (1) the output ier acre is inversely related to size of arm; (ii) the input per acre (total cost inluding payment for all the factors of proluction) is inversely related to size of farm; iii) the profit per acre is directly related to ize of farm; and (iv) the farms are operaing at constant returns to scale. The lata were collected from 120 farms of Meerut district pertaining to agricultural year 1969-70. Special attention was given at every stage of selection, viz. district, blocks and villages, so that the sample farms could have been well exposed to atest yield increasing technology.

The conclusions may thus be summed up as follows:

1. The gross return per standard hectare does not have any indication of inverse relationship with the farm size.

2. The total cost per standard hectare showed an inverse relationship with farm size.

3. The profit per standard hectare is ncreasing with the farm size.

4. The sample farms are operating at increasing returns to scale.

Therefore, the hypotheses of inverse relationship between farm size and productivity and constant returns to scale were rejected in the area under study while the other two were accepted. Based on the findings of this study it may well be suggested that similar types of studies should be conducted in different agroclimatic regions of the country before reducing farm size by introducing downward land ceiling which may result in drastic cut in total agricultural production.

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Eastern Economist 30 Years Ago

JAN. 12, 1945

India produced from 20 to 23 million tonnes of coal each year in the pre-war days. This supply being inadequate to meet the country's requirements substantial imports had to be obtained from South Africa and elsewhere amounting in 1937-38 to 79,000 tons. In contrast to this is the present acute shortage in coal supply which is not likely, it is strongly feared, to reach even the comparatively low target of 23 million tons fixed for the year 1944-45. Lack of essential machinery and equipment continues to cause worries and the government have so far been able only to give the information that they have deputed two officials in the USA and the UK to arrange for the import of machinery. Transport has also been in part at least a source of trouble. It has been calculated, for instance, that total wagons required for the transport of coal from the Bengal and Bihar coal-fields are about 2,000 per month. Of this till some time back only a half seem to have been made available. But the worst difficulties have arisen out of a shortage of labour supply and instead of taking steps to remove the causes responsible for labour's repulsion to work in the coalfields the government contented itself with the retrogade step of legalising women miners' entry into the mines and with half-measures like the lifting of the military and the PWD out of the miner labour market. The cost of living in the mining areas is reported to have increased by about 300 per cent, and government have sanctioned a dearness allowance of about 50 per cent! The miners' standard wages, it should be noted here, are between Rs 5 and 9.

The world had nothing before it got zero

India introduced the concept. The Sanskrit name for the figure was Sūnya meaning void. India was the first to use it in the modern form. The earliest inscription dates back to 800 A.D. But there is evidence in Indian scriptures that the zero was used centuries before.

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WINDOW ON THE WORLD

Around south-east Asia

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London

I

The Philippines

President : Fernand E. Marcos
Exchange Rate : 15.663 Pesos=£1
(£1=US $2.317)

THE OUTBREAK of hostilities between government forces and Muslim secessionists in 1974 to some extent detracted from the country's recent impressive economic performance. However, attempts have been made to reduce tensions in the southern Philippines. Since the declaration of martial law in September, 1972, the Philippines has established diplomatic relations with many east European nations and is also moving towards establishing ties with both China and the Soviet Union.

Considering the disruption caused by floods in July-August 1972, the economic growth rate of 10 per cent recorded in 1972 was impressive. The value of agricultural output rose by 11 per cent, manufacturing by 12 per cent and mining by 8.7 per cent. The government has introduced many measures in the past two years designed to promote economic growth. These include the establishment of the National Economic Development Authority, substantial expenditure on transport improvements, and the overhaul of the tariff, customs and tax systems. However, the main factor behind the recent improved economic performance has been a favourable movement in the terms of trade. As a result of the increase in world commodity prices, the value of exports rose by 65 per cent in 1973 to P 12,147 million. The major commodity exports were coconut products (P2,385 million), wood (P2,217 million), sugar (P2,051 million), and copper (P1,896 million). In addition, foreign investment has been increasing and a large number of long-term development loans have been arranged. Tourism has also been growing in importance and the net result was that a relatively substantial balance of payments surplus of $671 million was achieved in 1973; by the end of July, 1974, international reserves totalled $1,517 million, an increase of $667 million over the previous twelve months.

However, this rapid economic expansion has not been achieved without cost. The emphasis on exports has led to a number of artificial shortages in domestic markets, such as the construction industry, and, with consumer prices rising by over 17 per cent in the first six months of 1974, many groups of workers have seen their real wages declining. While the internal shift of resources towards business firms might be welcome insofar as it permits the expansion in investment necessary to maintain a high rate of economic growth, nevertheless, to a large extent the move conflicts with the attainment of an equitable distribution of wealth, a major target of President Marcos' New Society.

The government is taking a relatively optimistic view of the country's economic prospects and has set a target growth rate of seven per cent for the current year. In a four-pronged approach designed to counteract any recessionary tendencies President Marcos announced early in 1974 that short-term investment projects would be given priority, as would the continued expansion of exports and the encouragement of foreign investment and overseas loans. The government is also actively encouraging the development of Manila as the next financial centre of south-east Asia and has opened the domestic banking system to direct investment by foreign banks. Moreover, earlier forecasts of a balance of payments deficit in 1974 have recently been revised and a payments surplus was projected. If a surplus is not achieved, the government will be able to utilise the standby credits of some $800 million which were arranged by the Central Bank earlier in 1974. In the immediate future much depends on the trend in world commodity prices and on the government's success in tackling the problems of domestic inflation and political disturbances.

Philippines : Value of Trade

(Total trade in millions of Pesos)

	Exports	Imports	Balance
1967	3,199	4,143	—944
1972	7,351	8,165	—814
1973	12,147	10,710	1,437

II

Malaysia

Prime Minister: Tun Abdul Razak

Exchange Rate: M$5.607=£1
(£1=US $2.317)

In the general elections held in August, 1974, the ruling party returned to power with an overwhelming majority. Malaysia has recently established diplomatic relations with China, and other countries of the Association of South East Asian Nations (ASEAN) are expected to follow suit. Economic expansion has been led by the trade sector, exports accounting for 48 per cent of GNP in 1973. Malaysia is the world's leading exporter of rubber, tropical hardwood, tin, palm oil and pepper. As a consequence of the commodity boom, the Malaysian dollar which joined the 'floaters' in June, 1973, appreciated by nearly 10 per cent on a trade-weighted basis against the currencies of the major trading partners by the end of 1973. Unemployment, estimated at 7.3 per cent at the end of 1973, is moderate by Asian standards. Inflation presented a problem: consumer prices were rising at an annual rate of 23 per cent by March, 1974. However, remedial measures taken by the government effectively halted and brought the rate down to only 13 per cent by June.

Increasing importance is being attached to economic development reflected by the fact that while federal government current expenditure is to rise by six per cent over 1973, development expenditure is to increase by 11 per cent. The 1974 budget provides for current expenditure of M$3,470 million and development expenditure of M$1,402 million. Current revenue is to total M$3,537 million and the overall deficit is mostly to be financed by domestic borrowing.

The industrial sector is gradually assuming an important role. Manufacturing output, which averaged a 12 per cent annual growth rate over the last five years, increased by 19.2 per cent in 1973 and is forecast to generate 23.3 per cent of GDP by 1980, compared with 13.6 per cent in 1970. In 1973, the government approved 473 new projects which are expected to create 81,000 new jobs at a cost of M$545 million — this is around 50 per cent higher than in 1972. Manufactured exports, excluding tin metal, were estimated to have increased by 46 per cent in 1973 reaching M$730 million.

Export earnings registered 50 per cent increase in 1973, which also saw a welcome diversification of the export sector. Rubber was still the major export earner, but accounted for only 33 per cent of exports compared with 55 per cent in 1960: timber for the first time took second place with 22 per cent cent, tin accounted for 13 per cent and palm oil exports contributed seven per cent. Imports increased by 29 per cent mainly in respone to the high level of aggregate demand following the export boom. Manufactured goods, machinery and transport equipment accounted for just over 56 per cent. Singapore, the EEC, Japan and the United States took almost three quarters of total exports and supplied three-fifths of imports. Total reserves stood at US $1,508 million at the end of June, 1974, an increase of US $222 million over June, 1973.

reasonably optimistic

While the overall picture of the economy is reasonably optimistic, the major flaw on the export front is that the spectacular gains achieved were largely due to the favourable terms of trade. However, the rise in commodity prices appears to have stabilised and coupled with the impending recessions in, and expected deficits of, many of Malaysia's major trading partners, the rate of export-led growth may fall.

Malaysia is rapidly nearing take-off stage in economic expansion. GNP, at an estmated M$1,360, is one of the highest per head in Asia. The oil crisis has enhanced the cost-competitiveness of natural rubber and the long-term prospects for the timber industry remain good, although prices are currently depressed. Resource-orientated industries should not only diversify the manufacturing sector but also help to alleviate unemployment. On the energy front new oil finds and high hydroelectric potential augar well for the future. The slowdown in world trade remains a major problem confronting the country. Substantial development can nevertheless be anticipated in this sound economy.

Malaysia : Value of Trade

(Total trade in M$ million)

	Exports	Imports	Balance
1967	3,724	3,152	572
1972	4,838	4,347	491
1973	3,372	5,555	1,817

III

Singapore

Prime Minister: Lee Kuan Yew

Exchange rate: S$5.717=£1
(£1=US $2.317)

Lee Kuan Yew's government has gradually created a climate conducive to the development of Singapore as a major financial and manufacturing centre in south-east Asia. Of the countries of the Association of South East Asian Nations (ASEAN), Malaysia has already established diplomatic relations with China, and Singapore is likely to follow other ASEAN countries. This could have far reaching effects in the light of China's increasing trade with the world and the strategic position of the port of Singapore. Gross Domestic Product grew in real terms by 11 per cent in 1973. However, the higher cost of oil and commodity imports raised prices by 23 per cent as compared with one per cent per annum in the previous decade.

Economic development is receiving priority in the budget for the fiscal year 1974-75 and is allocated S$1,562 million out of a total expenditure of S$3,380 million. Total expenditure is 15 per cent more than for the fiscal year 1973-74, whereas development expenditure is to rise by 33 per cent. Housing and industrial development are to account for nearly two-thirds of the total estimated development expenditure.

In 1973, at constant prices, exports and imports grew by 14.1 per cent and 6.2 respectively, and entrepot trade rose by si per cent. Machinery, transport equipment, mineral fuels and lubricants, an crude materials form the bulk of export while the first three together with manufactured goods, food and live animals ar the principal imports. As recently as 1970 re-exports accounted for 61 per cent o total exports, but by 1973 this proportio had diminished to an estimated 46 pe cent. Domestic exports rose from S$21 million in 1960 to S$4,791 million in 1973 Malaysia, the United States, Japan an the United Kingdom are the major trading partners. Total reserves rose from US $1,020 million in March, 1973, to US $1,325 million by March, 1974.

rising labour costs

Manufactured exports accounted fo 68 per cent of total domestic exports i 1973. However, labour costs have bee increasing, and were forecast to rise b over 20 per cent in 1974. Given rising costs and the sluggish trading conditions in the developed countries, which took half of domestic exports in 1973, export earnings are likely to fall. The emphasis is now on capital intensive and advance technology products, reflecting endeavours to broaden the base of the economy and to ease a tight labour market High technology industries accounted fo some 87 per cent of the total investment of S$819 million in the manufacturing sector in 1973: foreign investment in manufacturing rose by 136 per cent over 1972. The high volume of foreign investment has been mainly responsible for the growth of the shipbuilding and ship-repairing industries.

Singapore is an urban economy. Agriculture plays only a limited role. Half the cultivated land is devoted to rubber and coconuts. Virtual self-sufficiency has, however, been attained in poultry, eggs and pork, and the fishing industry is receiving increasing attention.

Government encouragement has led to the development of the Asian-Dollar market and funds currently total some US $7,000 million. It is hoped that this market will now attract part of the astronomical increase in the oil revenues of middle-east countries. Singapore is a net borrower of funds, a large proportion of which is drawn from the Eurodollar market, mainly through London; the major borrowers are multi-nationals and private south-east Asian companies.

It is difficult to chart the course of Singapore's open economy as it is dependent on economic conditions in the outside world. In 1974, the real rate of growth may have fallen to some 5-7 per cent and the ap in commodity trade may have idened further, though increased invisible arnings will have somewhat eased the urden. The increasing search for oil by outh and south-east Asian countries ffers wider opportunities to the oil drilling industries and allied services and to he growth of the Asian-Dollar market s the source of finance.

Singapore : Value of Trade

(Total trade in S$ million)

	Exports	Imports	Balance
1967	3,491	4,157	—666
1972	6,149	8,948	—2,799
1973	8,907	11,738	—2,831

IV

Indonesia

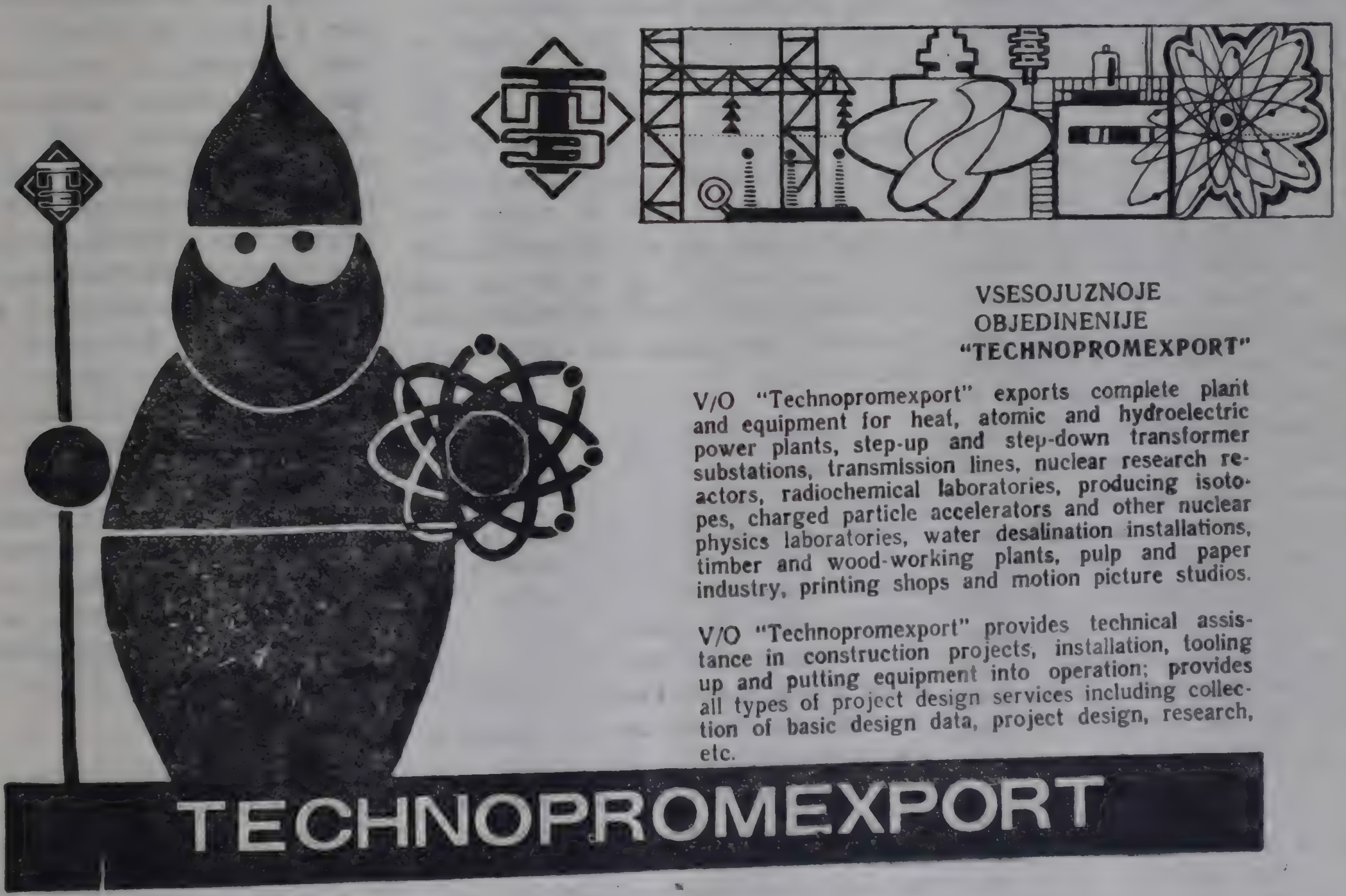
President: General Suharto

Exchange Rate: 962 Rupiahs=£1
(£1=US $2.317)

The economy continued on its upward path in 1974. For example, oil production rose by 24 per cent to 488 million barrels and rubber production by 20 per cent to 333 million kilogrammes. Overseas investment has been important in the country's economic development; by the end of June, 1974, foreign investments totalling $3,496 million had been approved by the Foreign Investment Board under the terms of the 1967 Foreign Investment Law. Such investments have been concentrated in west Java, particularly Jakarta.

The continued economic expansion was reflected in the value of exports which rose by 58 per cent in 1973. A large part of the increase was a result of the higher prices and volume of oil exports, although overseas sales of timber, rubber and tin also improved. As a consequence international reserves rose by $ 233 million to $ 807 million in the twelve months to the end of December, 1973. Moreover, the increase in reserves was even more pronounced in 1974, and by the end of July stood at $ 1,827 million.

However, in spite of recent economic progress Indonesia still remains essentially a low-income developing country with enormous problems. With a population of nearly 129 million, unemployment is wide-spread and rice production is insufficient for domestic needs. Inflation has been accelerating; in the twelve months to the end of June, 1974, consumer prices had risen by nearly 50 per cent. President Suharto has recognised the need for policy changes. When presenting the draft of the Five Year Development Plan (Repelita 11) covering the psriod April, 1974, to April, 1979, he emphasised that future development would aim to increase 'social justice', to supply sufficient food, clothing and housing, improve the infrastructure and provide greater employment opportunities. The Plan itself provides for an estimated expenditure of Rp 4,858,800 million and aims at an annual growth rate of 7-8 per cent. Nevertheless, this did not prevent public dissatisfaction erupting in the form of rioting which broke out in Jakarta in January during the visit of the Japanese prime minister. However, the government has made further efforts to answer public criticism. Measures designed to increase local participation in new investments and to reduce corruption have been announced and an



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anti-inflationary package introduced which included sales tax reductions.

Indonesia : Value of Trade

(Total trade in US $ million)

	Exports	Imports	Balance
1967	665	590	75
1971	1,234	985	249
1972	1,778	1,302	476

Although many problems remain, the economic outlook in general appears favourable. The Inter-Governmental Group on Indonesia is to give $850 million in aid in 1974-75. Moreover, despite the current slump in the timber industry, the long-term prospects for timber exports remain good. An expansion of industrial capacity and exports of indigenous mineral resources, particularly tin, bauxite, natural gas and oil, is also planned. Indeed the recent boom in oil prices will result in a substantial surplus of funds (receipts from oil exports in 1974 were likely to exceed $4,000 million) which may wel prove difficult to absorb.

Sources and acknowledgements: The foregoing summaries a report issued by the Barclays Bank Group, Economic Intelligence Unit (54 Lombard St. London EC 3 P:3AH) but the bank is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

Silver lining on western horizon

Vienna

E. B. Brook

THERE ARE are a few significant bright patches in an otherwise gloomy sky as the new year opens. The first is the decrease in mutual competitiveness by the European states and the USA in handling their oil problems and relations with the oil producers, the second the belated and absolutely last-minute passage by the U S Congress of the Trade Bill which not only gives the USSR most-favoured-nation treatment in commerce but, much more importantly enables the second round of trade talks within the General Agreement on Tarff and Trade to make a realistic start after the preliminary discussions about having such talks were concluded in Tokyo nine month ago. After some 15 months of steadily rising prices in domestic and foreign trading, short time and unemployment, falling profits and bankruptcies the world may be in a more chastened mood, ready to make mutual concessions in order to increase the total volume of trading. There is much preparation to be done in the USA and within the Common Market area but the talks should now be able to begin in Geneva next Appril.

There is reason also for some world relief that the newly-elected one-third of the US Congress will now come in to constitute the 94th US Congress with probably fresher and more liberal ideas than those shown by the 93rd, overshadowed by the Watergate scandal and essentially halting in his attitudes to both the socialist world led by the USSR and to industrially and commercially developing countries. President Ford has himself shown some useful initiative in foreign affairs and his new Vice-President, Mr Rockefellor, is a man of far wider sympathies and experience than any in that office for several decades. As world's still easily leading industrial and commercial state the USA is vitally important to the rest of the world in the nature and quality of its leadership and legislature. The changes in Washington promise a less ponderous and sluggish time ahead.

In Europe, also there is a fresher sense of the need to deal with facts and cease complaining about them and squabbling together. The British are begining to realize that their continental partners are not really deeply concerned whether they remain within the Market or not. The West German press has been particularly plain spoken and the French are obviously indifferent whether Britain, Ireland or Denmark remain with them or not. The days have passed when the expansion of the six to nine was significant. Britain's deepening weakness is accepted as an abiding fact and the relatively prosperous Five—France and West Germany with the Benelux area—are more intent on west Asia and its money than on the ailing west and south of Europe. They have also to work out the new basis of commercial relations with east Europe as from this new year.

The Market Commission's Secretary, the Corsican M. Ortoli, is shortly to visit Moscow to talk matters over with the Comecon secretariat now that Market members will be making their trade agreement with bargainers from east Europe not individually, as hitherto, but collectively. It remains to be seen whether west European collectivity bears much resemblance to the east European type. The parties are uncertain of each other; there is no agenda for the talks and the Comecon officials have not even revealed what they would like to talk about. Since the Soviet Union already has some very useful longterm cooperation and trade agreements, particularly with West Germans, French and Italians, it is fairly certain to wait and see what the Market Commission has to offer before showing its own hand very clearly.

The most serious problem for west Europe is to restore more confidence to its public by begining to reduce domestic prices and to ensure rather more stability in jobs. It is becoming accepted that a far higher level of worklessness than has been known for years will have to be accepted generally, that a higher percentage of expenditure in employment relief ust be tolerated and that the days of neral prosperity are already a long way hind, Italy leads the unemployment akes with some 1,200,000 out of work d almost constant strikes. West Germany omes second with already just about a illion out of work. France and Britain oth are approaching 700,000. These re the main areas: the lucky Dutch and Belgians both have fewer than 150,000 ut of work and Scandinavia generally s busy. But the percentage rates are, on he whole, about twice last year and are likely to rise.

fears of unemployment

People such as the British and Italians take unemployment in their stride, the French grumble but, to the west Germans a million out of work appears a catastrophe. Worklessness has certainly a tragic history in this century in Germany but there is much inclination to exaggerate economic and social troubles in the Federal Republic. There is no social distress, law and order are very firmly in the saddle and short-time working and closing of some factories are little more than necessary adjustments of a boom-time expansion to a more normal profit-and-loss existence. Many thousands of "guest workers" have gone home from West Germany, Switzerland and Austria in the last yaar but anyone who saw the 11 miles long queue of cars driven by "guest-workers" going home to Greece, Turkey and Yugoslavia for the year-end holidays would have no illusion of any hard luck on their part. In fact, hard luck stories from Europe whether from workers or from the hard-hit bussinessmen should be taken at anything but face value. High prices or not, Xmas domestic sales were a record and, if the streets were rather darker to save energy, they were all crowded as ever with people spending freely.

It is only a few months since the banks were complaining that the Arabs and other oil-owners were reinvesting their earnings only in short term deposits, difficult to handle and unsettling to the share markets. If they would only put out their money in long term deposits, all might be well. In the meantime, west Asia has has been putting out its money on long term in west Europe to such an extent that the Sheikdom of Kuwait has bought a 14 per cent share of Daimler-Benz's share capital, there are very sizeable Arab and Iraniam purchases into West German chemical and engineering industries—Iran owns 25 per cent of Krupps steel works —and three large German banks have been helping throughout the year with sizeable Arab investments, especially from Kuwait and Qatar. The effect in West Germany has been to produce the usual shrill hysteria: a largely-circulated and very right-wing paper from Munich came out with banner headings "Are the Sheikhs buying up Germany?", the more respectable *Der Spiegel* asks very much the same thing more politely; the prestigious Sunday *Die Zeit* of Hamburg devoted most of last week's 30-page glossy issue in detail to Arab and Iranian purchases—on a sober and reasonable note—and Chancellor Schmidt has been obliged to tell his Parliament in Bonn that his government will not allow oil-rich countries to gain control over strategically essential German industrial firms.

By comparison, the French and the British have taken Arab purchases very much more in their stride but. in the USA, where Saudi Arabia now owns the mammoth Aramco oil concern, there is strenuous opposition to Arab attempts to buy heavily into the coal industry. The Arabs and others may well complain that if they invest short-term, they are accused of rocking the financial boat and if they invest long-term, of trying to buy up Europe. Not unnaturally, they are trying to make sure of complete control over their own oil industry's continued success by building tankers and buying sizeable blocks of shares in shipbuilding concerns, with some concentration at present on West German wharves.

The ten-month period of quiet for the new oil prices and the prospect of a world oil conference opened by the Ford—Estaing talks on Martinique should contribute to soothe European and, especially, West German nervousness. The quiet beneficiary of it all, with current deliveries of 23.8 billion cubic metres of natural gas to east and west Europe annually and a swelling oil trade is the Soviet Union. For the first time west Europe finds itself looking east and south—east for its essential energy at terms they decide. With this prospect unchanged for 1975, gas prices up four-fold and oil dearer, they have excuse for some unhappiness.

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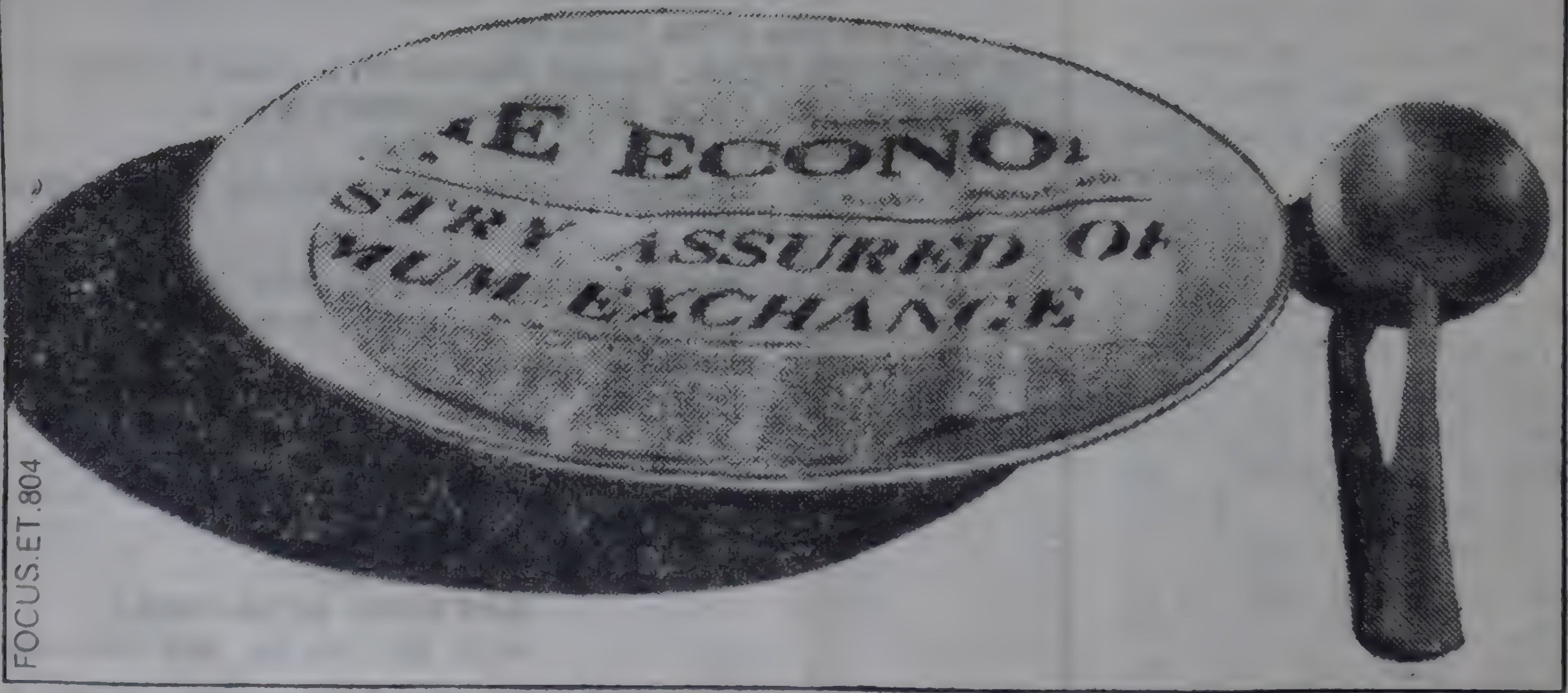

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BOOKS BRIEFLY

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The problem of numbers

Management and Population—A Systems View and Review of Family Planning Programme In India : N. V. R. Ram: D. K. Publishing House, Delhi; Pp 130; Price Rs 25.

Short-Term Investment Forecasting : Samuel Paul and C. Rangarajan; Macmillan India; Pp. 207; Price Rs 50.

Regional Profile of Indian Agriculture : Edited by Vadilal Dagli; Vora and Co Publishers Private Limited, Bombay; Pp 311; Price Rs 50.

Labour-Management Relations—New Perspectives and Prospects : Dr. V. R. Rao; D. K. Publishing House; Pp 136; Price Rs 25.

Planning, Development and Economic Policy in India : V. S. Mahajan; Kalyani Publishers, Delhi; Pp 340; Price Rs 30.

PL. 480 and India's Food Problem : B. R Shenoy; Affiliated East-West Press Pvt. Ltd; New Delhi; Pp. 342; Price Rs 60.

HAVING RECOGNISED the urgency of the problem of population, India has been trying to deal with it in its own way. It has evolved a programme and a system to deal with the problem of overpopulation. Since 1951 the machinery of family planning organisation has expanded considerably with substantial growth in the number of its personnel and variety of administrative units at different levels. The management of this programme appears to be facing various difficulties and problems. N. V. R. Ram in his *Management And Population—A Systems View and Review of Family Planning Programmes in India* has made an attempt to examine "the management aspects of the family planning programmes subjecting the same to systems approach. Through this approach, operations are examined from the broad standpoint of programme policy, its success and results." The author's idea behind writing the book is "to promote a debate and discussion on the subject matter of management and population from the angle of programme management rather than from the viewpoint of medicine management, demography and numbers."

pertinent issues

The author has raised some very pertinent issues while writing about the environment in which the family planning programme has to operate in India. The family planning has to operate in India under the following constraints.

One of the criteria for allocating central grants and funds to states is the total population of the state. This naturally conflicts will the family planning programme as it would not be in the interest of the states to reduce population, if they want more finances from the central government. Similarly the number of seats for a state in Parliament is decided on the basis of population of the state. This again is a sort of disincentive for a state to reduce its population. Also in a democracy like that in India, the strength of a community lies in its numbers. There is thus fear that some communities may multiply faster and increase their political strength as opposed to other communities who adopt family planning as a way of life. And finally, family planning is a centrally sponsored and financed programme and the states have no stake in the success of the programme.

programming of planning

As regards the programming of family planning, the author has stressed the point that in India family planning is a subsystem of its health system and has itself many subsystems. Thus the central government has fixed 156,000 as the number of technical personnel required for family planning programme. At present about 100,000 persons are employed. These personnel are spread over central government, state and district family planning bureaus, training institutes, and at the local level, the primary family welfare planning centres. The personnel is thus spread over different levels of government. Also many appointments are of purely temporary nature. Would such a system contribute to efficient execution of the family planning programme? The author also finds fault with the training system which is not directed at those levels where it would be most effective. There is no systematic training programme; at every stage there is *ad hocism.* The author is also dissatisfied about 'Information subsystem'. At present there is hardly any rapid feedback of data on programme progress and control mechanism to rectify deviations in path. The information subsystem therefore requires improvement and further development.

In the light of his system analysis, the author has made a number of recommendations to improve the system and make the family planning programme more effective.

reforming the education

A primary health centre covering the population ranging between 80,000 and 100.000 is not a viable unit of health administration at present. The physician-in-chief is not a managerial physician. The author is of the view that to train the medical doctor to become manager-physician cannot be achieved in isolation. This is possible only through reformation of the medical education in India. The policy should aim at incorporation of family planning management as a speciality in medical education for those doctors who are interested in family planning programmes and are seeking jobs there. The acquiring of knowledge and expertise in techniques should not make a person a natural claimant for its management. This must be realised by all professions including the medical profession and those not interested in management should serve as pure technicians in primary family planning centres. This means the selection for management posts should be carefully done and to attract right talent, recruitment from outside the medical field may be resorted to, if need arises. It must be kept in mind that family planning involves serious programme management with extensive social, political and economic implications and it cannot be the prerogative of either the civil servants or medical men to man these vital posts.

The author is also of the opinion that considering the results achieved by the family planning services, the system is top heavy and 'ill-designed for an efficient programme management'. A thorough organisational analysis from the central level to the local level is necessary at this stage of programme development. At present, no body seems to be responsible for achieving the results. There is a primary need to fix the responsibillity for programme achievement on an agency other than the combined ministry of Health and Family Planning. If the states view it as part of their developmental programme and conceive that the best way to achieve it, for example, is through the district collector's leadership and responsibility, the pattern of organisation at the top and at the state secretariat will have to be suitably modified.

The author has rightly pointed out that there are too many conferences, seminars, workshops and symposiums on family planning and the fact that money has been easily available has lent itself to "the creation of positions, departments, agencies and high-level conferences all leading to a gigantic research-oriented, group-concentrated, bureaucratic-intellectual complex". Only the management part of family planning programme and population control which in a sense are the most important part remain mostly neglected with the consequence that the programme so far has produced only marginal results.

Organisation has never been our strong point and one reason for our failure on the implementation side has been inadequate and faulty organisation we set up to implement our programmes. The author has very ably pointed out the inadequacies and deficiencies of management in the field of family planning. If the government is serious about this vital and crucial issues, sooner it pays attention to the organisational aspect along the lines suggested by the author, better will it be for all. Systems analysis has been attracting attention in India only in recent years and the author has done well to study the problem with reference to the family planning programme in India.

Investment Forecasting

The industrial recession of 1967 attracted the attention of the authors and like, many, economists, managers and public leaders they were wondering whether the crisis could not have been anticipated. It is this awareness which has resulted into an exploratory effort the findings of which have come to be emboded in *Short-Term Investment Forecasting*.

It is an accepted fact that economic forecasting is an important element in the process of formulation of national plans. Thus in India long-term forecasting has provided a broad framework within which various five-year Plans were formulated. Since the fourth Plan Indian planners have devoted increasing attention to annul Plans and this calls for proper assessment of the short-term outlook for the Indian economy. It is however no exaggeration, according to the authors, to state that "systematic forecasting which is a prerequisite for assessing the national economic outlook for the next six months or a year has seldom been attempted in India." Some government departments such as the ministry of Finance do make their own assessment of short-term outlook for the Indian economy and its different constitutent parts; but these are informal assessments which remain mostly unpublished so that the public discussion of their assumptions, framework of analysis and sources of data etc. is completely ruled out.

short-term predictions

The author has used the term 'short-term forecasting' to denote predictions for a period not exceeding two years, There are two main reasons which are advanced in India for the lack of short-term forecasting. These are data difficulties and secondly extreme uncertainties due especially to natural hazards. These may hovever be considered as occupational hazards and one must not give up the attempt at short-term forecasting because of thesis difficulties, It must be realised that short-term forecasting is of great significance not only at the national level but also at the industry and firm levels.

The first step towards the building up of a comprehensive model for short-term forecasting is to learn more about the parts that make up the total economic system. The authors' aim in this book is to examine only one such component of the national forecasting model, namely investment and to identify the types and sources of data required to perform the task of short-term forecasting. Investment is one of the most important determinants of the level of economic activity in the economy and hence the authors have concentrated their attention on short-term forecasting of investment activity, though they are quite aware that other variables and sectors of the economy must be covered for comprehensive short-term forecasting for the economy as a whole.

The authors have arrived at some interesting findings. In respect of plant and equipment component of investment, the study has revealed that there is a reasonable and steady relationship between the orders for and deliveries of goods. Factors such as shortages of raw materials and technological changes in the short-run may disturb the stability in the order-delivery relationship. But the authors do not think that the impact of these extraneous factors would be so strong as to render short-run forecasting of investment impossible. A cross-section analysis of the order-delivery relationship for a sample firm confirmed the extremely significant role of new orders in determining deliveries and hence in forecasting investment in plants and equipment of the firm.

major finding

But unlike in the case of plant and equipment, the authors have not been in a position to demonstrate the usefulness of anticipatory data in the field of construction. Their major finding on construction forecasting has been that municipalities and panchayats could be a valuable source of information on investment intentions in the construction sector. Local government bodies could generate advance signals of trends in residential, industrial and governmental construction, provided their data collection and reporting systems are appropriately reformed. Though a wealth of data is available with these bodies, no attempt has been made to shift and process them for forecasting purposes.

This study has also demonstrated the feasibility of using the project data with the leading term-lending institutions for purposes of forecasting private corporate investment. From the point of short-run forecasting, the most relevant data are those pertaining to the time phasing of capital expenditure on the projects. By aggregating this information one may be in a position at the beginning of any year to anticipate the capital expenditure likely to be incurred in the course of that year on all projects which received assistance from the term-lending institutions.

An important finding of the budget study is the superior-predictive performance of central government budgets in respect of both consumption and industrial development. This is also true in the case of state budgets where the predictive ability is generally greater n respect of construction than in respect f industrial development.

On the basis of their analysis, the uthors have made some recommenda-ions to facilitate the making of more ccurate short-term forecasting in the ield of corporate investment in India.

Since the existing data was found inadequate for the purpose of short-term forecasting, the authors have recommended that "a comprehensive series on new orders and unfulfilled orders for and deliveries of plant and equipment be developed in India to facilitate investment forecasting." The series should cover plant and equipment expenditure in both private and public sectors.

As regards construction which is a very important sector of the economy especially from the investment point of view, since the authors did not find any useful anticipatory data, they have recommended that steps be taken to generate data on all-India basis in respect of both building permits and building contracts. Municipal and local bodies should be required to collect data pertaining to construction. To get complete data on construction, the central government and state governments should also furnish the required information to the local bodies concerned for the record.

Though the data on phasing of capital expenditure of projects is available with long-term lending institutions, they are never updated and hence lose anticipatory value. Also the reliability and comprehensiveness of the data at the level of state financial institutions leave much to be desired. In view of the important role which these institutions are playing in providing finance to industries it is important that the quality and coverage of their data be improved.

useful exercise

The authors are also of the opinion that if budgetary documents are prepared on a common basis and are made readily available to researchers, forecasters in several industries and government agencies are likely to find them very useful. The authors believe that if these data stand the test of time they will not only be of value to investment forecaster but would also provide better understanding of the behaviour and relationships underlaying the complex and comprehensive forecasting model for the entire economy.

In these days of violent changes and fluctuations, the importance of short-term forecasting cannot be over-emphasised. It will show the path which the economy is traversing and it is easier to set the economy on right path if the deviation is detected earlier than later. In view of this importance of short-term forecasting, the authors' attempt to probe this new field in spite of the overwhelming odds which they had to face is highly commendable. It must however be admitted that this exploratory attempt of the authors is extremely sketchy and tentative. The merit of the book lies in this that though the authors have not kept before the forecasters any comprehensive model for short-term forecasting, they have certainly succeeded in pointing out the vast gaps that lie in the way of successfully attempting short-term forecasting in India. Though the authors' contribution is mainly negative, it is nonetheless very important and of vital significance.

Farming Perspective

Regional Profile of Indian Agriculture gives an integrated picture of the agricultural development in individual states of the Indian union since independence. Care has been taken to see that detailed information regarding area, population agricultural inputs, mechanisation, agricultural marketing, flood control measures, impact of planning and land reform measures etc. is provided on a uniform basis to facilitate comparison between states in regard to agricultural development.

It is observed that the Indian agriculture has been running a chequered career during the post-independence period. However. despite the ups and downs, there is a steady upward trend in agricultural production. Since independence agricultural growth rate is about 2.9 per cent per annum compared with ¼ per cent during the first half of the 20th century. There is no doubt that there is this historic qualitative change. But if we achieve the target of 5 per cent annual growth, that would probably make all the differenee between poverty and prosperity.

We get excellent information and analysis of the so-called green revolution, a phrase which was very popular a couple of years ago but not heard of these days. A good part of economists' energy was spent in a naive debate as to whether or not green revolution took place in the country!

Those who were convinced that green revolution took place pointed out to the sharp increase during recent years in the use of current and capital inputs such as fertilisers, pesticides, tractors, electric pumps and seeds of high-yielding varieties (HYV). The opponents pointed out that on the basis of growth in output there appears to be no evidence of green revolution. Agricultural growth rate which was 3.2 per cent per annum up to 1960-61 dropped to 2.6 per cent per annum during the subsequent decade instead of showing any rise. There is no doubt that there is no evidence of any acceleration of the growth rate of the agricultural production; on the contrary there is a distinct deceleration of the agricultural growth rate.

It would be seen that it is only in respect of nine crops—rubber, wheat, coffee, bajra, maize, ginger, rapeseed and mustard, sesamum and barley that one notices an increase in the growth rates of production during 1965-70. On the other hand the remaining 19 crops accounting for 81 per cent of the total weights recorded either fall in the rates of increase or stagnation.

Why did the green revolution just fail to take off? From the analysis in this book it appears that some of the important reasons for the failure were factors such as failure of the Indian scientist to develop miracle seeds in the case of many crops, particularly non-food crops, availability of irrigational facilities for only 22 per cent of the sown area, inadequate supply of chemical fertilisers, failure to develop a truly effective nation-wide extension system, failure of land reforms and continuance of tenancy and rack-renting and most important, the failure to develop motivation among the overwhelming majority of farmers, particularly the vast number of poor farmers who continued to be exploited as before.

significant facts

As regards the regional dimensions of agricultural developments, the book has brought out some very significant facts to notice. If poverty is to be eliminated from the country, special efforts will have to be directed at those regions which are relatively more backward. Here all-India measures will not achieve the desired results. The policies and programmes at the implementation level will have to be developed for specific regions taking into account their specific features and problems. Of course, proper lessons can be drawn from the experience of progressive states such as Punjab and Haryana.

The diversities in agricultural development at state levels are very great. For example, the figure for net income per hectare in terms of rupees varies from Rs 2716 for Kerala to Rs 583 in the case of Maharashtra and Rs 467 only in the case of Rajasthan. Similarly in regard to productivity of agricultural workers, it is noticed that the highest is in the case of Punjab (Rs 3195) while the lowest is in the case of Nagaland (Rs 409) the all-India average being Rs 1213.

Very important and relevant lessons can be drawn from the experience of relatively successful states such as Punjab and Haryana. The experience of Punjab emphasises the importance of hard-working and intellectual farming population, successful implementation of land reforms, provision of social and economic overheads, availability of irrigation facilities, provision of adequate electric power or any other source of energy, discovering of proper varieties of seeds and the key role of extension work in the agricultural field.

The terrible food crisis of 1972 and 1973 served as a reminder that the country must become agriculturally self-sufficient and agriculture must progress substantially if more than 10 crores of people or about one-fifth of our population who eke out a precarious existence on the border of hunger in rural India are to be provided with better living standards. This excellent volume which highlights agricultural development in all the states of the Indian union not only provides reliable and cogent information about various aspects of agricultural development but also provides indirectly the lessons which backward states can draw from the progressive ones. This book is certainly an excellent addition to the growing literature on the Indian agriculture.

Labour-Management Relations

In view of the urgent need for stepping up production for which it is necessary that all the factors of production work in full cooperation, Dr. Rao in his *Labour Management Relations—New Perspectives And Prospects* feels that there is an urgent need to study labour-management problems in their proper perspective. Since the traditional approach of dealing with labour-management problems has failed to give India the necessary industrial peace, the author has fervently advocated that unless the employers act according to the Gandhian concepts of trusteeship of wealth and make employees partners in production the problem of labour-management relations will continue to disturb and disrupt the industrial sector of the Indian economy.

The author has analysed the prevailing conditions of labour unrest in India and the manner in which the central government is trying to tackle this complex problem. The author is of the opinion that the present attitude of the government of appeasing the extremist elements indulging in violent agitations appears to have placed a premium on intimidation and intransigence. The author feels that the central government has not yet been able to evolve a credible approach to this problem of combining firmness with flexibility in right proportions for restraining politically oriented labour leaders from creating further economic dislocations by precipitating strikes and paralysing production. What should cause concern is the increasing tendency on the part of workers acting under political instigation to damage equipment and indulge in violence to reinforce their demands for higher wages and better living conditions. The state governments are especially finding it difficult to deal with this sort of lawlessness for fear of being dubbed as lackeys of capitalists by their own radical members. Government is mostly trying to play safe by siding with labour irrespective of the merits of their demands as a short of manifestation of their own commitment to socialism.

working less and less

The author is of the opinion that a very serious feature of the present-day labour indiscipline is the tendency among workers to do less and less both among the public sector and and private sector enterprises and to demand more and more wages, allowances and concessions. The enormous number of working days lost through strikes and lockouts, slackness and lack of interest have been partly responsible for the present industrial stagnation. The government is unimaginative and is pampering labour too much. The author has warned that government will have to act with firmness and no section of the community must be allowed to hold the country to ransom.

The author maintains that his approach is practical and that the book is on his experience gained while conducting courses and seminars on subject of labour-management relations. Unfortunately the author has failed to take a comprehensive look at the problem and study it from various angles. For example, some researchers have come to the conclusion that the wage rates are not keeping pace with increase in labour productivity while there is another school which equally emphatically maintains that wage burden which has become disproportionate to labour productivity has been eating into the profits resulting in industrial stagnation and unemployment. There is no doubt that that has been the case in some of the industries e.g. the printing press industry in Maharashtra. The government of India appears to have no labour policy and seems to be moving aimlessly according to pressures, though they appear to have taken a firm stand in recent loco and pilots' strikes. The author has failed to look at all these issues comprehensively. And after referring to the Gandhian approach to labour-management problem in the introduction, the author has just left it at that without making any effort to work out its implications. Labour-management problems in India deserve more careful and comprehensive study.

Planning and Economic Development

Since 1951 the government of India has been trying to modernise the Indian economy by using various techniques in the fields of agriculture, industry, management, finance and transport. An attempt has been made by V.S. Mahajan in his book *Planning, Development and Economic Policy in India* to make a critical assessment of the achievements and failures in our efforts to rebuild the economy.

The author has pointed out that during the sixties and seventies there has definitely been significant advance in capital accumulation in various sectors of the Indian economy. But he feels that such accumulation of assets has not followed a well thought out path with the result that the economy has been facing the problem of unbalanced growth. This, according to the author, appears to be the most important single factor which has stood in the path of India reaching the goal of self-sustained growth. It also appears doubtful if the country can reach this goal in the near future, The author's prophecy is that "Any country which fails to reach the goal of self-sustained growth, within a period of two decades during the third quarter of the twentieth century, would have to bo treated as a hopeless one." To some readers this may appear to be an extreme view; but unfortunately that has also been the conclusion which the World Bank has come to about India in its latest report.

The author has pointed out how agricultural gains have been neutralised by explosion in India's population. Also consumer and capital goods industries have failed to meet the challenge of rising demand because of government's rigid stand on the expansion of factory Industries and also because of the difficult situation of inputs and lags in capacity creation by basic industries, especially.

eel. Of course, the biggest constraint on he industrial growth has been the state of ealth of the Indian agriculture which has een none too good. And there cannot e more rapid development in the agriculural sector unless the policy instruments nd their implementation create confidence and enthusiasm among the rural ouseholds.

As regards industrial development, the author feels that though India has made rapid strides in the field of large industries, the position is still far from satisfactory. It is no use establishing new units or adding capacity to existing ones, when the country is not able to make optimal use of such capacity. The country must also be less dependent on the imported equipment and give an opportunity to her own technicians to manufacture such equipment using indigenous inputs.

attack on basic defects

The author is of the opinion that there is need of vigorous attack on the basic defects in small-scale industries which government is trying to encourage. The author wants that in order to raise the competitive power of small units, a more satisfactory way would be to offer liberal subsidies and fiscal and transport con cessions rather than put curbs on the growth of large units depriving the country from obtaining cheap goods from alternative sources. Mere reservation of markets would not solve the problems of small-scale industries; instead, it would only result in scarcities of various types of goods. The author has drawn pointed attention to the fact that public financial institutions are found hesitant in providing credit facilities to small industries. Even the state financial corporations which arc primarily meant to promote regional industrial growth have tended to concentrate their resources on large industries. The author has therefore recommended the establishment of the small industries financial corporation in each state, with the objective of looking exclusively to the financial requirements of small industries. Of course the author is aware that finance is not all and that government should also provide basic infrastructure facilities which cater for the specific needs of small industries. As in most other fields, in the field of small industries also the basic framework drawn by the government of India appears to be fairly sound which implies that if this sector has also stagnated, the failure is mainly on the implementation front.

As regards the industrial finance, though the overall impression is that these financial institutions have done a fairly good job, they have hardly made an attack on the problem of decentralised growth of industrial activity. The author has recommended the setting up of technical consultancy service at different places in the country to provide the necessary framework for tackling the problems of regional industrial growth on a more rational basis.

Looking ahead, what are the prospects for the seventies and early eighties? The author is of the opinion that one cannot be too certain about the near future. "The approach Paper lets out so much intellectual steam—computer programming, redistribution of consumption in favour of the downtrodden to the exact digit, resource matrix...that the man in the street finds himself puzzled."

The future will depend upon the steps which will be taken to mobilise resources. Will the government act according to a comprehensive tax reform drawn on the basis of the Wanchoo report and the Raj report? Or will it just pick up a bit here and a bit there from each, using recommendations of the one to neutralise the recommendations of the other? Will the government set up a definite programme and procedure for settling management-labour problems, especially in the public sector so that we do not have to import steel worth Rs. 200 crores annually because we lose two million man-hours in our steel plants? Will the government prosecute some of the high ups for corruption and remove many of the unnecessary controls which are the breeding ground of corruption? Or will it just stop with the prosecution of a small time sewage inspector? What will the government do about conspicuous consumption of which so much is being talked about? After all most of the goods that we see in city markets are being produced for only about 10 per cent of the Indian population. Maruti Enterprise which is scheduled to produce 50,000 cars a year by 1975-76 catering for the needs of the top one per cent of the people in India may well be the test case!

These and similar questions haunt a serious student of the Indian economy. Are there men of resourcefulness and vision to tackle the stupendous problems which India is facing? And above all men of honesty? How many are there? Even one? Where? Delhi? Patna?

PL 480 Food

Though the food deficit in India was never more than 10 per cent or so at the current rate of consumption, the problem has bedevilled the economists, policymakers, administrators and all. *PL 480 And India's Food Problem* is a book by the eminent economist, B. R. Shenoy, who seems to be ploughing his lonely furrow all these years. As in the case of all his books and articles, one notices in this book also his rigorous logic which would take equally rigorous analysis to refute.

As is indicated in the title, the book deals with two interrelated parts, namely PL 480 and India's food problem.

The first part of the book deals with the US exports of agricultural surpluses under PL 480 and examines the economic effects of PL 480 imports and the monetary consequences of PL 480 finance on India.

adverse effect

The author has made a very strong case that "the PL 480 policy objective of self-help by PL 480 aid recipients calls for the limitation of food imports to the market deficit, the deficit in supplies in relation to demand. But wheat imports into India far exceeded market deficits and repressed wheat prices. This impinged adversely on the domestic production of wheat." To prove his argument the author has shown that when in 1960s PL 480 imports declined for all practical purposes to market deficits, the domestic production of food led by wheat registeied rising trends,

Having examined the inflationary impact of PL 480 finance, the author has come to the conclusion that the inflationary effects ceased with the phased termination of the rupee payments for PL 480 imports in terms of the 1966 amendment to PL 480. But the expansionary effects of the expenditure from the unspent rupee balance of the USA still continue. According to Shenoy, the Rupee Settlement Agreement of February 1974 has "added to this hangover-inflation by providing for the monetization of the long-term rupee debt (both PL 480 and non-PL 480) held by the USA."

According to the author, India's food problem is basically the problem of nutrition deficits and of persistent market deficits. The nutrition deficit, a part of the problem of mass poverty, is very closely linked with the problem of general economic development of the country. On the other hand, the market deficit, though accounting for only about 3-4 per cent of the Gross Domestic Product and though the modernisation of agriculture can easily bring 8 to 12 times the national average yield at least in respect of wheat and rice, has been defying solution all these years.

Why could the market deficit not be

made up all these years? According to the author this was due to capital starvation of agriculture which was the direct consequence of the appropriation by the public sector of 60-65 per cent of the total investment resources. The author is emphatic that it is not possible to modernise agriculture without restructuring the overall pattern of resource allocation in such a manner that the agricultural sector gets its due share of credit and capital which have so far been denied to it. This capital starvation of agriculture has also resulted in the retardation of the general economic development of the country as agriculture accounts for nearly one-half of the Indian national product and provides a living to over 70 per cent of the Indian population.

clear implications

The policy implications of the above analysis are very clear. The author is of the opinion that to tackle both the food problem and the problem of poverty, we must first scale down drastically public sector outlays; secondly, we must limit the pace of industrialisation with due deference to the principle of comparative costs, and thirdly we must remove legislative and other hurdles in the way of farm finance. All these reforms are aimed at correcting capital misdirection that has been taking place and on the other hand restoring the creditworthiness of farmers and relative attractiveness of the business of farm finance. India's food problem is not as much the problem of devising and then taking new agricultural techniques to the Indian farmers but is rather a problem of the farmers being unable owing to credit and capital shortages to apply to farming the known technology with which many farmers are already familiar or can easily become familiar.

The author has supplemented his above main thesis by analysing recent policy measures—the decision of January 1972 to forego concessional wheat imports, the resulting pressure on the public distribution system, nationalisation of wholesale trade in wheat in 1973, the partial reversal of the nationalisation policy in 1974, the harsh incidence of these measures on wheat farmers, the consequent shift of land from wheat to other crops and operation dehoarding in UP and some other states. The author is convinced that the chaos on the food front is apt to deteriorate further in 1974 and after, unless we soon correct the credit and capital starvation of the Indian agriculture. Pending these drastic measures there appears no escape from a return to PL 480 consessional food imports as adequate commercial imports are just beyond our paying capacity. The recent agreement on PL 480 has confirmed the author's worst fears and we appear to be back in square number one.

There is no doubt that there is a certain amount of validity in what Shenoy has to say. But the trouble with some of the senior economists is that by training and habit they have come to take certain positions from which they are not prepared to resile. Shenoy has discussed the food problem in India only in terms of a few variables such as price incentives and capital inputs to the entire neglect of others. If for example it were only repressed prices and capital starvation of agriculture that are responsible for the extremely tardy growth of Indian agriculture, how does he explain he fact that though about Rs 1200 crores

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were made available to agriculture in Maharashtra, it has failed to record any worthwhile progress during the last two decades and continues to be one of the agriculturally backward states in India, whatever the claims of V. P. Naik in this behalf ? The main reason is that land reforms in Maharashtra have remained reforms only on paper and that the credit and capital have gone down the political drain. This means that agricultural revolution in India is not merely a matter of providing price incentives and credit and capital as the author seems to believe. The food problem in India has in addition moral, political and administrative dimensions of which the author is either unaware or does not think much about. Granted that there is resource misdirection by the planners, where however is the guarantee that credit and capital directed to agriculture would automatically ensure their optimal use ?

The case of agriculture in Maharashtra is refutation of B. R. Shenoy's thesis. How one wishes that agricultural reconstruction in India were only a matter of price incentive and availability of credit and eapital !

And has Shenoy tried to work out the implications and consequences of a developing country such as India adhering to the principle of comparative cost in the sphere of industries ? The classical theories have been discarded long ago and the author must realise that the problem of developing countries in 1970s can niether be adequately analysed nor successfully solved within the classical framework which the author learnt in early 1930s and beyond which he is not prepared to go in 1970s.

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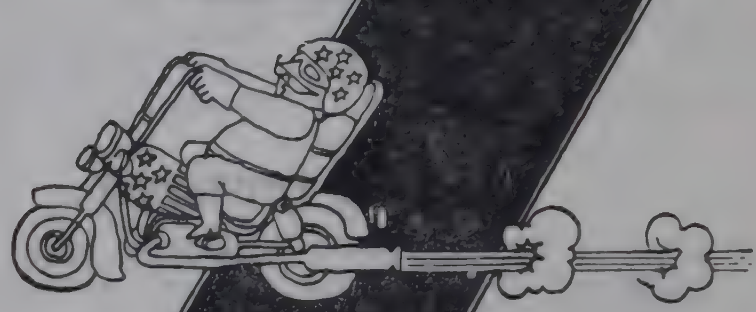

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AIR-INDIA

TRADE WINDS

Guidelines on Textiles

GUIDELINES HAVE now been formulated by the government for creation of additional spinning, weaving and processing capacities in the cotton textile industry during the fifth Plan period. According to a notification issued by the textile commissioner, new spinning units will be permitted in the public, cooperative, joint or private sectors in that order of preferences, excluding those attracted by the MRTP Act. Such units may be set up in the areas where there is an unsatisfied demand for yarn from handloom and powerloom weavers or in areas which have adequate supply of cotton but lack in processing capacity. Existing units will be allowed to expand beyond 25,000 spindles in suitable cases on the basis of availability of resources, past performances, and capacity to raise funds from financial institutions. Additional spindles required for correcting the imbalance between spinning and weaving capacity, including those required for loomage expansion will be allowed.

The expansion in spinning capacity will be subject to two conditions; (a) the units will have to supply their production in the hank or cone form, as advised by the textile commissioner and (b) 90 per cent of the new spinning production should be below 40S count. Existing composite mills will be allowed additional loomage with corresponding spindleage, provided they undertake to export not less than 30 per cent of the production of the looms in addition to the maintenance of past exports. Independent processing capacity, including expansion of existing units, will be permitted to cater to the group of producers of yarn or cloth who do not have their own processing facility, particularly those in the handloom and powerloom sectors. All those interested in expansion of capacity or putting up new units would have to apply to the ministry of Industry before February 15.

Duty on Cotton

The government has now decided to reduce the import duty on Pakistani cotton by 25 per cent. This has cleared the way for speedy finalisation of the deal. The duty reduction will be on all comparable varieties of cotton. The decision has been taken to overcome the practical difficulties involved in implementing the earlier measure to adjust import duty in a manner so that the price of cotton was on par with that of Indian cotton or slightly less.

Central Loan

The central loan for Rs 75 crores floated recently has fetched New Delhi a total subscription of Rs 78.10 crores. The second issue of 5.25 per cent 1978 loan attracted a subscription of Rs 17.64 crores and the six per cent 1988 loan Rs 60.46 crores. Earlier this year, New Delhi collected a net subscription of Rs 416 crores in two instalments from the market. The latest collection brings the total net borrowing from the market by the centre to Rs 494 crores. The budget for 1974-75 has taken credit for net market borrowing of Rs 498 crores.

Machine Tools Export

Machine tool exports from India will hereafter be channelised through a newly-floated subsidiary of the Hindustan Machine Tools, the HMT (International) Limited. The new company, the second institutional arrangement for exports, after the steel sector, will cover not only HMT machine tool products, including watches, but also the products of other companies in the same line. Giving details of the new company, the chairman of HMT, Mr S. M. Patil stated recently that the new organisation, together with other supporting measures, would push up the share of HMT's exports in its total turnover to nearly 25 per cent within the next five years. Dr Patil stated that in the next three years, HMT's exports were expected to increase three-fold to reach Rs 12 crores a year. While HMT's annual production would reach Rs 100 crores in the next five years. Its exports were expected to touch Rs 20 crores per annum. He added that HMT wanted to enter several new markets including those in Iran and Iraq. Several ECAFE countries such as Indonesia and Thailand, also offered scope for HMT exports. HMT (International) would take over the business now carried on under its exports division and by its foreign branches in Australia and Luxembourg. The objectives were two-fold—to earn more foreign exchanges for the company and use the export market to enrich the company's technological competence.

Crude from UAE

This country is understood to have approached the United Arab Emirates for the supply of crude oil over a fixed period. The UAE has agreed to consider the Indian request. This indication was available after discussions between the UAE minister for Petroleum and Industry Mr Mana Saeed Al-Otaiba and the union minister for Petroleum and Chemicals Mr K. D. Malaviya. During discussions UAE minister expressed a keen desire to cooperate with India on oil exploration, particularly in off-shore areas. Similar desire for cooperation in other fields was also expressed in talks between visting UAE ministers with their Indian counterparts.

Coal Output

Coal production is expected to rise to the record level of 100 million tonnes during 1975. Latest estimates available with the ministry of Energy have raised new hopes. According to these estimates, there would be an increase of 10 million tonnes in coal production during 1974, which would take coal production to 88 million tonnes. According to a spokesman of the ministry of Energy, the production during the first nine months of 1974 (April to December) was 5.67 million tonnes higher than the corresponding nine months of the last year. The increase in production has made it possible for the industry to switch over from furnace oil to coal. More than a million tonnes of coal has been diverted to consumers who had been using furnace oil.

Indo-US Panel

The three sub-commissions of the Indo-US joint commission set up during the recent visit of US Secretary of State, Dr Henry Kissinger, would hold their first meetings towards the end of this month. The joint commission itself held its first meeting during the visit of Dr Kissinger and the next meeting of the commission is expected to be held early this year in Washington. The union minister for External Affairs, Mr Y.B. Chavan, is expected to visit Washington for the meeting.

The economic and commercial sub-commission is meeting on January 20 and 21 in Washington. The Indian team for this sub-commission will be led by Mr M.G. Kaul, secretary in the economic affairs department. Mr Enders, economic and business affairs assistant secretary of state of the United States, will lead the American team. The Indian team for the science and technology sub-commission will be led by Dr Nag

Choudhury, Vice-Chancellor of Jawaharlal Nehru University and the American team for this sub-commission will be led by Dixie Lee Ray, assistant secretary of environment and science. This meeting is being held in Washington from January 27 to 29. The third sub-commission, with Mr G. Parthasarathy as the leader of the Indian team will meet in New Delhi from February 3 to 5. The American delegation for this commission will be led by Dr Robert Goheen, president of the Princeton University.

Indo-Pak Trade Pact

The union cabinet has approved the Indo-Pak Trade Agreement. The major item of import from Pakistan this year will be cotton. India is expected to export jute goods. This country is likely to buy for the present only 100,000 bales of cotton because of domestic good crop this year and the imports already concluded with other countries. The trade with Pakistan is, being resumed after nearly a decade. The trade agreement was concluded following the protocol signed in the end of November last.

Bank Take-over in Ethiopia

Ethiopia's military rulers have nationalised all banks and insurance companies. An announcement by the rulling provisional military council to this effect was read over radio Ethiopia. On December 20, the council stated that it would turn Ethiopia into a socialist state with a one-party system, direct government control over most of the economy, and collective farming on government land. The announcement stated all that shares in the banks which would come under the supervision of the national bank of Ethiopia, would be taken by the government. "Due compensation would be paid," the announcement added, but gave no further details.

US Bank Rate

The United States recently lowered its bank rate to 7.25 per cent from 7.75 per cent. The action, taken to prop up a weakening economy, became effective on January 6. The effect of the cut is to make borrowing by commercial banks from the federal reserve cheaper.

Leipzig Spring Fair

The accentuation of interesting display ranges of trade groups by means of Special Groups which was initiated in 1972, will be continued in the 1975 Leipzig Spring Fair. In next Spring Fair the "Automation Equipment and Techniques" Special Group, within the electrical engineering trade group, will exhibit the latest developments in the field. Leading manufacturers from 18 countries will exhibit their products. Instruments and equipment for all stages of a regulating circuit are the object of a Special Group. An international symposium "Pneumatic and Electronic Control for Automation Engineering" and a series of lectures on new products of automation engineering will provide the important scientific-technological information.

Gold Sale in the US

Gold bullion went on sale on January 1, 1975 in the United States for the first time in 41 years at world record prices. The yellow metal was sold at $203 an ounce for delivery in July 1975, breaking the $200 barrier which influences market confidence. New York Senator James Buckley bought two and a half ounces at $192 an ounce at a special ceremony in New York just after mid-night. New York is an hour ahead of Chicago in time and scored on the mid-American commodity exchange, which opened here one minute after midnight for a brief session. At the close of the session, which was in gold futures trading, gold for February delivery was priced at $195 an ounce, for March at $195.50, for May $201.50 and for July at a nominal $203.

In London gold was traded at around $173.00 an ounce on Saturday, January 4, 1975. This was a dramatic drop from a peak of $198.75 an ounce just before the fixing on Monday, December 30, 1974.

Money Supply

During the current busy season so far from October 25, to December 6, 1974, money supply has shown a smaller increase of Rs 139 crores (3.1 per cent) according to latest available official studies. The figure for the corresponding period of the 1973-74 busy season was Rs 174 crores (7.3 per cent).

The expansion in money supply at Rs 338 crores (3.1 per cent) during the current fiscal year (March 29 to December 6 1974) was much lower than that of Rs 690 crores (7.3 per cent) in the same period of the previous fiscal year. This was mainly attributable to smaller increases in net bank credit to government and bank credit to the commercial sector of Rs 689 crores and Rs 452 crores, as compared to Rs 1,092 crores and Rs 847 crores respectively in the preceding year.

Net foreign exchange assets of the banking sector have recorded a larger decline of Rs 225 crores as against only 47 crores in the last year. Over the year ended December 6, 1974, increase in money supply at Rs 1,071 crores (10.6 per cent) has also been lower than that of Rs 1,564 crores (18.3 per cent) over the preceding year.

Irano-Hind Shipping

Indo-Iranian trade is to be boosted up with floatation of a joint shipping company in Iran. The Irano-Hind shipping company, a joint venture of the Arya National Shipping Lines and the Shipping Corporation of India, will organise and operate "efficient shipping services between India and Iran" as well as to ports in the Far East and on other routes to be mutually agreed between the two promoting companies.

Vanaspati Decontrol

The union government has decided to lift statutory price control on vanaspati with immediate effect. The government's decision follows a marked improvement in the supply position of vanaspati and assurances by the manufacturers' association on behalf of the industry, to improve production and to take steps to ensure that prices charged by factories are kept under check, it was officially stated. The industry is being required also to restrict the usage of groundnut oil to the barest minimum (25 per cent for the time being to be progressively reduced further) and to depend more on non-traditional oils such as cottonseeds and rice bran oil.

Names in the News

Union Carbide India Limited, at its Board meeting on December 19, 1974, announced the appointment of **Mr P.C. Banerjea** as a whole-time Director of Finance of the Company, replacing Mr John Mc-Gee who is leaving this country. The Chairman, Mr Keshub Mahindra, announcing the appointment of Mr Banerjea as Chief Financial Officer, stated that out of 10,000 employees of Union Carbide India the number of non-Indians has now been reduced to just three.

Mr S.Z. Varcie, Executive Director of the Tata Oil Mills Company Limited, has been elected Chairman of the Processed Food Export Promotion Council at their Annual General Meeting held on December 23, 1974 at Bangalore. Mr Varcie is the Chairman of International Fisheries Limited, a Director of UNITATA, which is a joint venture of the Tata Oil Mills Company in Malaysia.

Mr M.V. Subba Rao till recently General Manager of Andhra Bank Ltd has to taken over as Chairman-cum-Managing Director of the Export Credit and Guarantee Corporation Ltd.

Managing directors of the five nationalised banks who are to continue in their posts for another 15 months are also to function as chairmen of their respective boards of directors, according to official notifications issued recently. They are **Mr V.D. Thakkar**, Bank of Baroda, **Mr V.R. Desai**, United Commercial Bank, **Mr K.K. Pai**, Syndicate Bank, **Mr P.F. Gutta**, Union Bank of India, and **Mr G. Lakshminarayana**, Indian Bank.

COMPANY AFFAIRS

Tax Concessions to Unit Holders

AN ORDINANCE was promulgated on January 7 granting additional concessions in income tax and wealth tax to holders of units of the Unit Trust of India. So far income of up to Rs 3,000 per year accuring from approved investments, including units, has been exempted from income tax. Under the present ordinance, an extra Rs 2,000 of income from units will be exempted. Wealth tax exemption will also be given to the extent of Rs 25,000 over and above existing limits for investments in units.

Circumstances have forced the government to announce these concessions. At present the units yield only about 8.5 per cent per year, which is very poor as compared to interest offered by reputed private companies or even banks, which offer 10 per cent on long-term fixed deposits. Recently thousands of unit holders have sold their holdings back to the Unit Trust, which has consequently suffered a severe cash drain. It is hoped that the new concessions will revive public interest in units.

Sakthi Sugars

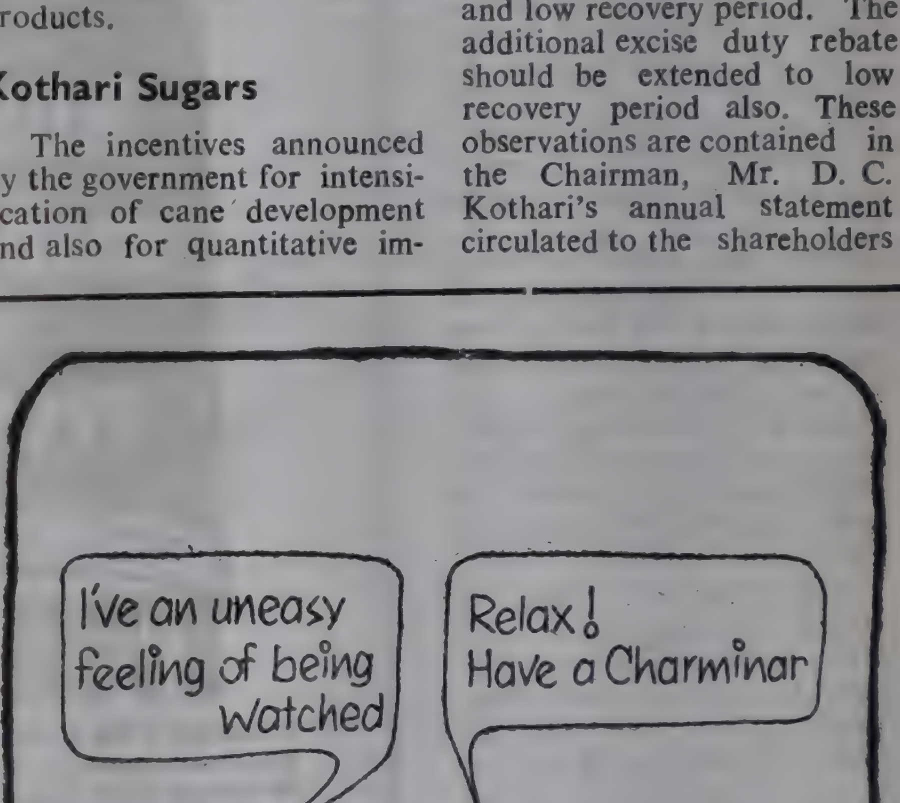
Unless a suitable forward looking policy is evolved and a price of Rs 125 per tonne of cane for a basic recovery of 8.5 per cent for 1975-76 is announced early, planting on the required scale may not take place and there may even be a decline in the area under cane. The all-India production of sugar for 1975-76 may even fall sharply to 32 lakhs tonnes if an immediate decision on the lines suggested above is not taken. This observation was made by Mr N. Mahalingam, the Chairman of Sakthi Sugars Ltd. while addressing the annual general meeting of the company. In regard to excise duty rebate the chairman welcomed the present scheme of full excise duty rebate in October and November. However, the chairman felt that a more liberalised approach is essential to make the factories crush even in the low recovery months of June and July so that more sugar can be produced.

As Tamil Nadu is a surplus state, the mills have to sell sugar in Calcutta and other north Indian markets for which a transport charge of Rs 18 to 20 per quintal has to be incurred. Due to this factor, the free market realization of the south Indian sugar mills when compared to those of the north is lower by about Rs 20 per quintal. Hence the chairman felt that it will be an affective incentive if the Tamil Nadu government can give some concession in the purchase tax at least in respect of the sugar sold in the north Indian Markets.

The directors of Sakthi Sugars are fully aware of the new opportunities available to the industry and has already succeeded in developing a large-sized complex. With the completion of the 4000-tonne programme, it is possible to maximise crushing operations during the peak of the session and improve the recovery of sugar. Hence, the directors feel that in the current year the factory has to concentrate on improving this efficiency of the existing plant and machinery so that the management can be in a position to implement expansion to 5000 tonnes easily. The intension presently is to avoid crushing in the hot season when there will be a lower recovery and concentrate on crushing during the periods when maximum recovery can be secured. The preliminary work connected with the project for manufacturing furfural with foreign technical know-how, is in good progress. The details of this gaint project is now being worked out. All these activities will naturally result in the development of a huge integrated complex in the Sakthi Sugar area and lead to the effective use of the by-products.

Kothari Sugars

The incentives announced by the government for intensification of cane development and also for quantitative improvement in sugarcane production had the desired result as a large number of factories started crushing operations earlier than usual despite high costs of production. However, the excise duty rebate scheme announced by the government for the season 1974-75 is disappointing and may not result in any substantial increase in production. Under this scheme, seasons have been divided into two periods viz. early and main, and eligibility of consessions is based on the average production of the preceding five years during the corresponding periods. It might benefit the industry if this period of five years is reduced to three years and if the system of excise concessions are continued in future also with some adjustments in regard to the duration of the main season, which could further be divided into two viz. peak recovery period and low recovery period. The additional excise duty rebate should be extended to low recovery period also. These observations are contained in the Chairman, Mr. D. C. Kothari's annual statement circulated to the shareholders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of Kothari Sugars and Chemicals Ltd.

The attention of the government, the chairman said, has been frequently drawn by the industry to the fixation of a remunerative price to the sugarcane grower in order that the production of sugar could be increased to achieve the target set by the government. Hence it is imperative that the price for cane should be commensurate with the level of prices obtained by the growers of other commercial crops. Even the recent revision in the basic price for cane announced by the government does not obtain a remunerative price for the sugarcane growers. The prices paid by the industry are much higher than these basic minimum prices fixed by the government. Another important factor that has to be given consideration by the government to give a boost to production of sugar, in the chairman's opinion is the fixation of a realistic and economic price for leavy sugar. It used to be the usual practice of the government, given up in the year 1969-70 onwards, to fix provisional levy price before the beginning of the season on the basis of an estimated recovery and cost of production of cane. The prices now prevailing for levy sugar are highly uneconomical which necessitates increase in price of free sugar to make up the loss.

Sugar industry again, is largely dependent on bank credit for financing its production. As there has been sharp rise in costs of raw materials and stores and as production is also expected to be higher, the credit requirements of the industry will be naturally higher this year than in the preceding year. Hence the chairman pleaded for considerable relaxation in credit curbs.

Madras Refineries

The Madras Refineries Ltd achieved a record crude throughput of 2.61 million tonnes during the year ended June 30, 1974. Production of 'Indane' gas (LPG), hign speed diesel, lube base stocks and asphalts increased by 23.2 per cent, 8.6 per cent, 3.7 per cent and 5.3 per cent respectively over that of the previous year. The refinery fuel consumption was reduced by a further five per cent as compared to the last year, saving over Rs 1.3 crores at the current crude oil prices. This is indeed a significant achievement.

The refinery crossed the 10-million tonne mark in the manufacture of petroleum products in May 1974. The total value of sales during the year was Rs 13,937 lakhs as compared to Rs. 6,530 lakhs in 1972-73. During the year the company repaid a loan of $ 1.86 million to the foreign lending institutions and Rs 2.25 crores to the government of India. The outstanding dollar and rupee loans as on June 30, 1974 stood at $ 8.16 million out of $ 22.32 million and Rs 836.72 lakhs out of Rs 2025.31 lakhs. The net profit for the year was Rs 6.71 crores. After providing Rs 5 crores for development rebate reserve the directors have recommended a dividend of 12 per cent gross on the paid-up equity capital amounting to Rs 1.54 crores. A dividend of 12 per cent gross was paid for the year 1972-73 also.

The company has made tremendous progress since its inception. The ground breaking ceremony for the refinery and the fertiliser plant was performed by the Prime Minister Mrs Indira Gandhi in January, 1967. The years 1967 and 1968 were spent in setting up the refinery including the lube oil complex and after Initial trial runs the formal inauguration was performed by the President of India in September, 1969. During the five years since the commencement of production, its efforts on the physical side has been progressively towards maintaining and improving the installed crude processing capacity, increasing the production of high priced products, improving capacities of many plants by minor de-bottlenecking, reducing the refinery fuel and loss and developing new products. On the financial side, the company incurred a loss in the first of its operations and it was largely due to causes which were

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xtraneous to its own operaions. It was able to wipe out he loss and make a profit in he second year, and declare dividends for the three subsequent years in succession ending June 30, 1974.

Shaw Wallace

The Computer Services Division of Shaw Wallace started operating recently. The Division is housed in the Shaw Wallace premises, Madras and has the ICL 1901A Model with card reader, line printer, four tape decks and two disc drives. The necessary software facilities are available on a turnkey basis —punching of data cards, verification, validation, transcription on to magnetic tapes, processing of tapes, programming. The Computer Services Division can handle a total project—from a feasibility report to the actual implementation. The Division will undertake smaller jobs too like developing a computer system according to the clients specifications. Computer time can also be rented and the customer can use his own programmers and operators for clients in or around Madras, hardware and software facilities are available on a regular daily, weekly or monthly basis. In addition, the Computer Services Division offers a total consultancy service. All the computer services, including the consultancy service, are also offered to clients abroad. A major advantage is that both data preparation and processing and programming costs in this country are appreciably lower than those prevailing overseas. The Computer Services Division is available to government and private concerns, large hospitals, industrial units, educational institutions, etc.

Delhi cloth

Over the years the shortage in wage goods industries as much as in certain basic industries and in infra-structural facilities have occurred, primarily because management of both public and private sector undertakings is never allowed a free hand. While the former is hamstrung by bureaucratic regulations the latter is subjected to an unbelievable mix of ideology and regulations in detail with the result that the overall major objective of speeding up economic growth has not been achieved. Thus the country is faced today with a critical situation where two opposite forces are at work. On the one hand, the back of inflation has not yet been broken, and on the other there seems to be a beginning in the decline of economic activity which may develop into a recession. The anti-inflationary measures adopted by government even though they have caused some difficulties, it is generally felt were necessary. But the question is as to how long the government should stick to these measures, and whether some adjustments have to be made, if only to ensure that the measures do not become counter-productive and result in creating new problems like wide-spread unemployment, which would be very dangerous.

When dealing with two contrary trends, a delicate balance of course, has necessarily to be struck. Stability and growth represent two sides of the same coin. One cannot be pursued at the expense of the other. This is neither possible, nor desirable. What is called for, therefore, is the reorientation of policy on the principle that economy lies not so much in reducing expenditure, but in making wise expenditure decisions. Hence it is necessary that while retaining a certain amount of control over credit, the government must at the same time encourage investment in industries. To achieve the maximum benefit out of investment priorities for investment must be in agro-based-industries and wage-goods industries. The other important field of investment must be in power, since the country has lost a good deal of production due to the existing capacities not being fully utilised because of power shortage. These observations were made by Dr Bharat Ram the Chairman of Delhi Cloth and General Mills Co Ltd while addressing the annual general meeting of the Company.

The Companies (Temporary Restrictions and Dividends) Act according to the chairman, could have been conceived in a more imaginative manner. The provisions of this Act do not freeze dividend but in fact result in the reduction of dividend payment. It is, therefore, not comparable with Additional Emoluments (Compulsory Deposit) Act, which impounds additional payments, but does not prohibit such payments being made. While the minimum dividend sum involved is estimated at only Rs 50 crores and is not likely to have an excessive influence on the demand factor, its impact on investment sentiment has been disastrous. Even the stated objective of government could have been secured, the chairman stressed, if companies were allowed to pay dividends, as before the Act, but dividend in excess of that permitted by the present Act was to be compulsorily deposited in the company and made payable with adequate interest say, 2.5 per cent over and above the Bank rate, after a period of two years. This would have given the shareholders the satisfaction of having earned the dividends, and what is more important it would not have had a depressing influence on the new issue market. Similarly, the measure of credit squeeze was imposed rather illogically as it froze the borrowings of companies as on a particular date viz. October, 31, 1973. The result of this has been that those companies who had managed their affairs well on that particular date, suffered most. In addition, those companies who had large seasonal requirements like textiles, vanaspati and sugar, were put to great difficulties.

Punjab National Bank

Punjab National Bank has registered sizeable progress in almost all spheres of its activities, except in the field of deposit mobilisation. There was of course a general slackness in deposit growth in the entire banking system, but the impact on PNB was more pronounced. PNB's deposits rose to Rs 830 crores from Rs 741 crores — an increase of 12 per cent in 1974, as against a rise of 19 per cent in 1973, while in the case of the banking system as a whole the rate of growth in deposits decelerated from 20 per cent to about 15 per cent. The reasons for the slower growth in PNB's deposits last year, of course, are not far to seek. Deposits for this bank have traditionally been a "walk-in" buisness with little attempts being made to mobilise them. Secondly, as with its credit, PNB's deposits have suffered from seasonality, though contra-seasonally to credit. Moreover, PNB had been relying very heavily on savings and fixed deposits from farmers and fixed income groups whose contribution last year declined considerably. Further, the share of institutional deposits in the aggregate was very low. A drive has now been launched by the bank to arrest the declining trend in deposits. A full-fledged deposits division has been created to address itself exclusively to the task of deposit mobilisation. Steps are also being taken to introduce marketing approach to deposits with a definite branch-wise programme. Besides, a sustained effort is proposed to be made for securing institutional deposits.

The achievements of PNB on the credit front, on the other hand, are quite significant. There was further acceleration and diversification in the Bank's credit portfolio during the year. The credit shot up to Rs 500 crores, registering an expansion of 16 per cent over 1973, as compared to 14 per cent for the entire banking system. The credit provided to public sector enterprises too rose spectacularly to Rs 60 crores, recording an increase of 186 per cent over 1973. Priority credit, comprising advances to agriculture, small-scale industries, transports exports, etc. in which PNB had lagged behind the banking system as a whole, picked up reasonably well in 1974. This credit went up to Rs 165.5 crores, as an increase of as much as Rs 39.4 crores or 31 per cent over 1973. Excluding exports, priority credit rose by 29 per cent and accounted for 24 per cent of total credit. On the profits side, the bank has recovered its position. Provisionally the net profit for 1974 is put at Rs 3 crores, as against Rs 2.4 crores in 1973.

The PNB has budgeted to mobilise deposits to the order of Rs 960 crores during the current calendar year, as against Rs 830 crores last year. Credit is envisaged to be expanded to Rs 600 crores from Rs 500 crores at the end of December. Assistance to be provided to priority sectors is proposed to be increased from Rs 165 crores to Rs 230 crores. A target of opening 100 branches has been set for the year. This will raise the number of branches to 1200 in 1974. In 1973, 85 new branches were opened, of the new branches to be opened this year, 51 will be in the rural areas, while 17 will be in semi-urban centres. As many as 51 branches are proposed to be opened in unbanked centres.

Talking to newsmen while releasing the above facts and figures about the working of the Bank, the Chairman, Mr P.L. Tandon, expressed the view that the rate of growth in bank deposits in general last year had been affected significantly by the rush for public deposits by the corporate sector and the two compulsory deposit schemes launched by the government to contain inflationary pressures in the economy. He stressed the need for greater discipline by the traditional industrial sector so that its legitimate requirements of bank credit could be met reasonably.

News and Notes

An ambitious programme to flood Utter Pradesh with milk & milk products within a year is currently on under the aegis of *Pradeshik Coop. Dairy Fed. Ltd.*, the apex body of dairy cooperatives of the state. The Federations' major activity at present is the infant milk food factory at Dalpatpur, Set up at the cost of Rs 1.40 crores it started commercial production in January 1971 and today is working in three shifts to its full licensed capacity. The union government has now issued a letter of intent for increasing the present capacity of the factory from 1500 M.T. to 3500 M. T. per annum. The plant for the additional capacity will be installed next year at the cost of Rs one crore. The state government has already advanced Rs 22 lakhs for the expansion programme. Moreover the Federation has been entrusted with the implementation of the 'Operation flood scheme under the World Food Programme in eastern and western parts of Uttar Pradesh.

Under the scheme two new dairies at Meerut and Varanasi having a handling capacity of one lakh litres of milk per day and involving a outlay of Rs 1.975 crores and Rs 1.716 crores respectively are to be set up by the end of 1975. Simultaneously, two cattle feed factories are to be set up at Meerut and Varanasi. Various other programmes to increase milk production in the district under 'Operation Flood' are being undertaken at a cost of Rs one crore. Milk procurement and development activities had already been initiated in the Meerut region and would be taken up shortly in Varanasi region. The objeciive is creation of a pipe line by the time the dairy units goes into production.

New Issues

Tamil Nadu Chemicals Products Limited (TCP), a company jointly promoted by Tamil Nadu industrial Development Corporation (TIDCO) and Mr B. Ananthaswami, is setting up a unit for manufacture of 3300 tonnes per annum of sodium hydrosulphite—a chemical extensively used in the textile industry and also in other industries like sugar, etc. The project is being set up at Karaikudi, a declared backward area, and consequently the company will be entitled to central government subsidy of Rs 15 lakhs and also to several other benefits. The plant is expected to go on stream by Jauuary 1976. The total project cost is about Rs 4.5 crores out of which share capital is Rs 155 lakhs. The balance will be found by way of loans and central government subsidy. Out of the share capital, Rs 130 lakhs consist of equity and the balance Rs 25 lakhs in preference. Fifty-one per cent of the equity capital has been subscribed by the promotors. The remaining 49 per cent, namely Rs 63.70 lakhs and the entire preference shares of Rs 25 lakhs is now being offered to the public. The subscription lists openes on January 30. The entire public issue is underwritten.

The existing manufacturers of hydrosulphite are adopting what is known as the Zinc Process. The cost of production by this process is on the high side. The company the other hand has obtained an exclusive technology from Mitsubishi Corporation, Japan, by which the use of zinc as raw materials is avoided and sodium formate is used instead. Consequently the cost of production will be considerably cheaper than that of existing manufacurers. By reason of the new technology, the company will be saving nearly Rs 85 lakhs of foreign exchange every year on import of raw material. As against the total indigenous demand of 11,000 tonnes per annum of hydrosulphite which is expected to go up to 13,000 tonnes by 1976, the total production by the exist-manufacturers, is only of the order of 8,000 tonnes per annum. Nearly 50 per cent of the company's production will be consumed in the state of Tamil Nadu, mainly by the handloom sector. Hence the company does not envisage any difficulty in marketing its products.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declare for	
		Current year	Privious year
Higher dividend			
Navasari Cotton	December 31, 1973	15.0	10.0
Petlad Bulakhidas Mills	March 31, 1974	10·0	Nil
Rajkumar Mills	December 31, 1973	20.0	10.0
Tubes and Malleables	December 31, 1973	15.0	10.0
William Magor	December 31, 1973	12.0	10.0
Same Dividend			
Anil Synthetics	April 30, 1974	Nil	Nil
Bengal National Textiles	December 31, 1973	5.0	5.0
Textiles Ltd	March 31, 1974	Nil	Nil
Cawnpor Textiles	March 31, 1974	Nil	Nil
Birla Jute & Exports	March 31, 1974	Nil	Nil
New Rajpur Mills	March 31, 1974	Nil	Nil
Reduced Dividend			
Premier Auto Electric	June 30, 1974	10.0	12.0
T. Stanes & Co.	March 31, 1974	12.0	15.0
Deepak Insulated Cable	March 31, 1974	7.0	10.0
Hindoostan Spg.& Wvg.	March 31, 1974	12.0	20.0

Madura Mills, J&P Coats and A&F Harvey unite to form Madura Coats Ltd.

Today, Madura Coats faces the future with confidence. A future that will test—the true strength of a company.

From where has this confidence come?

From a long-standing association between people who know their business—in and out.

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To produce superior products: yarns, fabrics and threads for consumer and industrial uses.

To develop new products and product applications, using the latest textile research and technology.

To meet the challenge of the future.

Earn more foreign exchange.

Create additional employment.

Madura Coats

together we can make a significant contribution

Rev.91

RECORDS AND STATISTICS

Input-output economics: a classified bibliography

This bibliography has been prepared by Dr. Shrinath Sahai, University Deputy Librarian, Bihar University Library Muzaffarpur

THIS bibliography includes books, journals and reports relating to input output economics. The documents have been indexed in classified order and their entries arranged in alphabetical sequence by the names of the authors. In each section, the books precede the journals and reports, again arranged alphabetically.

The citation of the journal has been given in the order of: Title of the journal (abbreviated form); volume number; number of the issue; year of publication and page number/s. The abbreviated forms of the journals. used here, stand for as below:

AER—American Economic Review.

AER/S—American Economic Association Papers and Proceedings.

AHA—Annals Hitotsubashi Academy (Tokyo).

A J S—American Journal of Sociology.

Anvesak—Anvesak.

A V—Artha Vijnana.

C J E—Canadian Jonrnal of Economics and Political Science.

Ec—Economica.

Ec N.S.—Economica, New Series.

E E H—Explorations in Enterpreneurial History.

Em—Econometrica.

EPW—Economic and Political Weekly.

E R—Economic Record.

E W—Economic Weekly.

I E J—Indian Economic Journal.

I E R—Indian Economic Review.

J A S A—American Statistical Association Journal.

J F E—Journal of Farm Economic.

J M—Journal of Marketing.

J R S—Journal of Regional Science.

J R S S—Journal of Royal Statistical Society.

Met—Metroeconomica.

P E—Problems of Economics,

P E J—Pakistan Economic Journal.

Q B E Stat.—Quarterly Bulletin of Economics and Statistics.

Q J E—Quarterly Journal of Economics.

R E Stat.—Review of Economics and Statistics.

R E Stud—Review of Economic Studies.

R S E—Review of Social Economy.

Sankhya—Sankhya.

S C B—Survey of Current Business.

S E J—Southern Economic Journal.

S I W—Studies in Income and Wealth.

S J P E—Scottish Journal of Political Economy.

S P N D—Studies Relating To Planning for National Development.

W A — Welwirtschaftiches Archiv.

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As Bombay sees Delhi

LAST WEEK the editor of this journal was in Bombay for a few days. It is almost always useful to try to learn in Bombay how Bombay sees New Delhi. Having met and talked to those who could see good in
central government when there is some good to be seen, as well as those who would
er give it the benefit of the doubt, the basic as well as the general impression which
editor has gained is that there is a broad belief in business circles in that city that
economy is at last beginning to stabilize itself. It is not assumed of course that the
ce level has ceased or will shortly cease to be a problem and, as regards money supply
held that the government's ability to restrain it really firmly, especially in terms of
al control over its own unproductive or wasteful expenditures, still remains to be con-
ned. All the same, there is a strong tendency on the part of even the most circums-
t observers of the economic scene to persuade themselves that the risks of hyper-
lation are very much less now than what they were around the middle of last year.
nsequently there is much expectation that it will soon be seen that the New Year has
en off reasonably well.

There is naturally quite some readiness to give credit to the series of anti-
lationary measures taken by the central government in July last or subsequently.
wever it is still felt that the government made a mistake in imposing control on divi-
nds on the terms it did although most of the critics of this action are prepared to
ncede that political expediency did demand of the government some gesture of this
d. It is believed that, having seen the damage the dividend restraint scheme has done
the capital market and to the investor class, the government is now in a position
consider remedial measures. Here, the ordinance giving new tax concessions to in-
stments in units is regarded as an agreeable straw in the wind. To the extent that these
ncessions do result in securing additional investible resources for the UTI the morale
the capital market is considered likely to benefit both in terms of equity values and
prospects for new issues. The abrupt castration of the investment potential of
stitutional agencies such as the UTI has clearly been a major cause of the
moralization of the stock exchanges over the latter half of last year. Incidentally,
w that the central government has concretely shown its concern for the revival of
capital market, it is generally expected that the dividend restraint scheme would at
st be suitably modified at the time of the central budget.

Despite the very real difficulties which the business community has suffered and is
ll suffering as a direct result of curbs on bank credit enforced by the government as
rt of its anti-inflationary policy, quite a large number of industrial borrowers seem
have reconciled themselves to the rationing of bank credit as an inescapable necessity
the context of severe inflation. Many of them are also thankful that the credit curbs
e coming to be administered on a less sweeping and more selective basis. The prime
inister's recent assurance that this is the result of a thoughtful modulation of credit
licy is greatly treasured. All the same, there are a few who feel that grave damage
uld be done to the level of economic activity, not only in the long term but also in the
ort period, if the very high interest rates charged by the banks on advances are not
ought down before the New Year is very much older. Here, even the more conser-
tive expectations seem to be that the Bank Rate should be reduced by at least
lf a per cent once the busy season is over; the assumption seems to be that the ex-
nsion of money supply during the current busy season is likely to be modest
ough to permit of some liberalization of dear money policy. It is also pointed
t that a lowering of the cost of bank credit would be consistent with trends
road. Incidentally it is believed that the current structure of interest rates on
posits with banks should be preserved more or less unchanged so that the saving
bit may be strengthened and the resource position of the commercial banking sys-
m put on a stable and buoyant basis in the long-term context. This could be more
sily done if the central government were to withdraw, as it should, the new tax on

the earning of banks on their advances.

Recession fears now seem to be receding. Not long ago, when the cotton textile industry particularly was reporting accumulation of stocks and consumer resistance, these fears tended to be rather acute. Now, in the cotton textile trade itself, stocks have started moving and such price declines as there had been are beginning to be made good. In the view of many in Bombay recession of the type seen or feared in the industrialized west or Japan is rather unlikely in our country. This is for two reasons. In the first place there is so much unsatisfied demand for all sorts of goods and services that a fall in prices or even an increase in the availability of most of the consumer goods helps sales to be maintained or to recover promptly after a decline. Secondly, although costs have risen in India as elsewhere in the world, the lack of sufficient competition among sellers has been providing them with profit margins which could absorb or accommodate moderate changes in prices in the downward direction.

It is of course possible that a recession in international trade at large could force a reduction in our exports and thereby lead to some decline in our economy particularly in the export sector. Already the textile industry is encountering adverse winds in its overseas trade but here again the problems could be exaggerated. There is a widely held view that many Indian industries with an export bias are in fact in a strong position to compete in overseas markets under conditions of increasing competition. In this context it is stressed that even a country so aggressive in exports as Japan is being prevented from resorting to tactics such as dumping to any extent because of rising labour costs. Provided Indian industry could stabilize its own manufacturing costs, the buyers' markets abroad might even present it with a comparative advantage against some of its competitors in international trade.

Business circles in Bombay therefore attach considerable importance to prospects of industrial peace and good employer-employee relations in industry. They realize that corporate managements have to share with the trade unions the primary responsibility for creating a healthy situation in this regard, but they also suggest that government policy is bound to play a very important role. Hitherto, under the prevailing inflationary conditions wage settlements have been negotiated again and again or industrial disputes settled without much thought being given to control of manufacturing costs. This practice must necessarily come to an end now that consumers are becoming more cost-conscious while simultaneously the inflation-bonus is being withdrawn from profit margins.

To the extent that trade union organizations are unable to readjust their thinking to this changed situation, the government must necessarily adopt a positive and firm policy of assisting industry to move towards more viable employer-employee relations or wage-profit or wage-price equations without interruptions to production. Many businessmen in Bombay, therefore, expect that the central government would follow the same realistic policy towards industrial disputes in the private sector as it seems to have adopted in dealing with strikes or other threats to production or services in the public sector.

While recession narrowly conceived may not be a major threat to the Indian economy, the basic problem of recapturing the trend of industrial expansion remains as urgent and real as ever. In fact most business leaders in Bombay believe that, instead of talking of having to avert a recession, both government and industry could more profitably discuss the ever-present issue of sufficient economic development and industrial growth. So far as our country is concerned, this was the challenge it faced yesterday and this is also the challenge which it is facing today and will face tomorrow. Here the greatest importance is being given to the mitigation of power shortage, which is a serious bottleneck to current production in some areas, or recovery of or improvement in the national production and supply of basic industrial materials such as coal, steel and non-ferrous metals.

In this connection it was heart-warming to listen to many responsible industrialists expressing high expectations of some of the key ministers in the government. Mr T.A. Pai, for instance, seems to be everybody's favourite right now. He has undoubtedly made a great impression by his positive approach to some of our current economic problems. One industrialist, for instance, praised him for his "no-nonsense" attitude towards efficiency in public sector enterprises. Another spoke not only approvingly but also admiringly of a communication he had recently received from Mr Pai's ministry asking him whether he had problems in implementing his industrial licences and, if he had, what they were and how the ministry could assist him in solving them. This industrialist pointed out that this was the first time that this kind of constructive interest had been shown by a ministry in the fate or fortunes of an industrial project or scheme submitted by the private sector.

More generally, there is wide agreement with and support for Mr Pai's policy of doing away with price or distribution controls in all those cases where controls have not been serving the genuine interests of production or proper distribution. Even those industrialists who are conscious of the temporary difficulties which decontrol of prices or distribution could cause to manufacturers in some cases are inclined to welcome this policy in the interests of the national economy and its long-term growth.

While all this is encouraging, even more heartening is the fact that, perhaps for the first time in many long years, Bombay's business world seems disposed to think kindly of a central Finance minister. According to more than one businessman, the country now has in Mr C. Subramaniam a Finance minister who could and probably would look at the demands of his portfolio with a fresh mind. In this context it has been noted as a refreshing change that for once an ordinance has been promulgated for a positive, as distinct from a negative or restrictive, purpose. The reference here is to the additional concessions granted to investment in units. Although the editor of this journal would prefer to remain sceptical, he cannot overlook the fact that many businessmen seem to be more or less convinced that Mr C. Subra-

iam's forthcoming central budget
ld make a good and perhaps even dy-
ic contribution to the revival of eco-
ic activity. Although these optimists
id an answer to the question whether
y expect any major concessions
corporate taxation or central
ise taxation, they express robust
h in the possibility that the central
lget would change the economic cli-
te for the better.

he prime minister's induction of Mr
N. Haksar into the Planning Commis-
n as its deputy chairman has been re-
ved with much approbation by the
iness community in Bombay. He is
ced in a class with Mr C. Subramaniam
d Mr T.A. Pai as one who would go
results. It is expected of course that
three would make it their business to
ction as a coherent and co-operative
m on which the prime minister could
y for much of the advice that might be
eded for the working out of an expan-
nist economic policy at the highest
vels of government.

A few however are apprehensive
at Mr Haksar's presence in the
anning Commission might have been
nceived of by the prime minister
an exercise in creating an ideological
unterpoise to Mr Subramaniam and Mr
ai. In their view the prime minister
uld continue to experiment with a
rategy of checks and balances in these
atters only at the expense of further slow-
g down or otherwise frustrating the pro-
esses of industrial expansion. Others
ho claim to greater knowledge of or more
ccurate information on the subject confi-
ently suggest that there are no grounds
or fearing that Mr Haksar would play
negative role, and that, on the contrary,
is association with important members
f the cabinet in the task of industrial
olicy making ought to be highly beneficial
o the country. In any case there is un-
qualified satisfaction that the prime mini-
ster seems after all to be endeavouring to
put together a team of positive individuals
for ministering or helping her to minister
to the needs of the economy.

Finally it is necessary to record that some people are anxiously asking whether the prime minister or her government now commands sufficient political credibility to be able to do big things for the nation's economy. The argument is that Mrs Gandhi should have shown at least five years ago the economic realism for which she now seems to be finding some use. It is contended that she has let time go by and opportunities slip with the result that she might now find it more difficult to do things which would have been easier for her when she was commanding more authority in the country and her administration more respect among the public.

As it is, now the prime minister seems to be in a political situation in which her prime and immediate concern is probably with strengthening her position in her party and in the politics of the country. It is suggested that it is perhaps because of these circumstances that there is currently so much lively speculation about an early general election. Whether an election held in the coming months would be an advantage from the point of view of national economy is a question on which there is much difference of opinion. Some feel that the time, energy and resources spent on an election to be held within the next few months could come in the way of attention being paid as promptly as possible to the pressing, economic needs of the country. Others, however, suggest that, should the election result in imposing on the ruling party the discipline of a substantial opposition in the Lok Sabha so that the new government becomes more responsive to dissent or minority views and feels a greater sense of responsibility for giving a clean and efficient administration, the national economy would be so much better served in the future.

Gold and its glitter

In the last week of December 1974, the price of gold in our country ruled at almost the same level as prevailed in such world markets as London and Zurich. At $195.5 an ounce, gold reached an all-time peak in London on December 27, 1974. Taking US dollar equivalent to Rs 8.6 (rate quoted in *Newsweek*), it worked out to be Rs 540.6 for 10 grams as against the price ruling in this country between Rs 515 and 520.

It was at once noted as a signal rendering smuggling of gold into our country a losing operation. It may be mentioned here that not long ago the smugglers of gold were able to obtain more than 100 per cent profit in our markets. It is therefore worthwhile analyzing the factors which have brought about this dramatic change in gold prices both in our country and abroad.

Ever since independence the import as well as export of gold was prohibited by our government. In order to have a more stringent control on the ownership and use of gold, the government of India had framed a new gold policy nearly twelve years ago. It had set three objectives before itself while framing this policy. They were (1) to wean the people away from the use of gold; (2) to reduce the price of gold in this country through a sharp reduction in demand; and (3) to save the much-needed foreign exchange which was being leaked out by smugglers. That the government had not succeeded in any one of these objectives was beside the point. What was of paramount importance was that, as the price of gold in the international markets started moving upwards, there was a sympathetic rise in the price of gold in our country as well though the margin between the domestic and the international prices was steadily narrowed.

The price of gold in the world markets had been closely linked with the supply of the yellow metal, the balance of payments situation in the leading industrialized countries, the world price trends in general, and the fluctuating reserves of the major trading nations of the world. Among the countries which mined the largest quantities of gold each year were South Africa and the USSR. These two countries together accounted for more than 80 per cent of the fresh supplies of gold each year. The reserves of gold were the largest with the USA followed by West Germany, France, the USSR, Switzerland and Italy, Out of total stock of international reserves of 152.8 billion of Special Drawing Rights (SDRs) at the end of 1973, the share of gold was nearly one-fourth at 35.8 billion SDRs indicating that gold still occupied a no mean position in this regard. As the value of world trade increased, fears were expressed that the absence of liquidity would tend to stifle its growth. A number of countries led by the USA were in favour of treating gold as any other metal and diminishing its role as a reserve currency. There was also another group of countries (France was the leader of this group) which wanted gold to be strengthened as a reserve currency of the world.

The fixed exchange rate system evolved by the International Monetary Fund at Bretton Woods had a successful operation for more than two decades because the USA had guaranteed the supply of gold bullion at $35 an ounce. While this privilege had been denied to US citizens since 1933, the USA had honoured its commitment to the world monetary system of making available gold at the stipulated price. At the close of the fifties, its gold reserves were valued at $22 billion (at the ruling price of $35 an ounce). By 1968, the US stocks of gold had dropped by 50 per cent. The bulk of it was taken up by such gold-hungry countries as France, and traditional buyers such as India and Pakistan (through smugglers). Of course, a part of it was also used for indusrial purposes. Alarmed at the fast rate at which its gold reserves were diminishing, the US government evolved a two-tier system. It ceased the sale of gold to private traders outside the USA but agreed to have dealings with central banks. The price of gold was pushed up to $38 an ounce because the free market price of gold had risen much beyond $40 an ounce. Under the two-tier system, the USA not only agreed to sell gold to central banks of seven industrialised countries (the USA, the UK, West Germany, Italy, Belgium, the Netherlands and Switzerland) at $38 an ounce, but also obtained an assurance from these banks that they would refrain from selling or purchasing gold in the free market. This two-tier system operated till 1971. In the meantime the free market price of gold shot up beyond $100 an ounce. The US government also raised the price of gold to $42.22 an ounce though it was out of tune with the ruling market price.

And then came, in the last quarter of 1973, the oil crisis which threatened to reduce the reserves of the industrialized countries drastically. At the same time, inflation raged all over the world and in many countries faith in gold was revived. Even in the USA, where gold bullion had been denied to the citizens since 1933, demand for gold was expressing itself through heavy purchases of coins whose acquisition was not prohibited. The USA imported in 1974 sizeable volume of coins from all over the world to satisfy the domestic demand. Realizing that this tendency was resulting in the outflow of dollars, the government of the United States decided to sell two million ounces of gold from its stockpile at a public auction on January 6, 1975. On December 31, 1974 the ban on private ownership of the yellow metal had been withdrawn. Also, in the middle of December, at a meeting between the President of the United States, Mr Gerald R. Ford, and the President of the French Republic, Mr Valery Giscard d'Estaing, a decision was taken to allow the central banks to revalue their gold stocks at the market price. All these decisions created real as well as speculative demand for gold with the result t as stated above, on December 27, the price of gold reached an all- peak at $195.5 an ounce. In Paris, prices pierced the $200 ceiling.

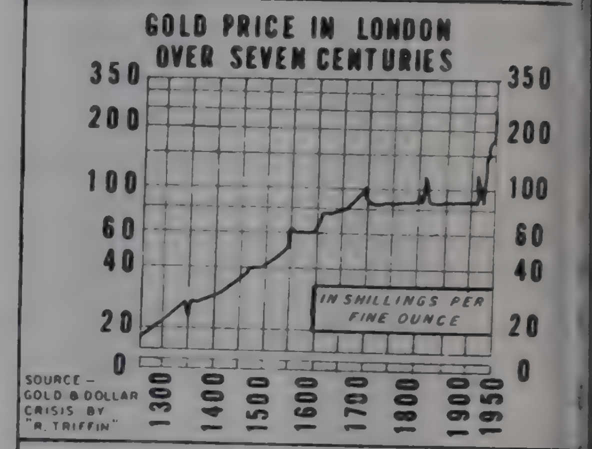
Revalution of Gold Reserves

(In billions of US dollars)

	Gold reserves at $42·22 an ounce	Gold reserves at $170.4 an ounce
W. Germany	4·9	19·7
France	4·2	16·9
Italy	3·4	13·8
Switzerland	3·5	13·9
Netherlands	2·3	9·1
Belgium	1·8	7·1
UK	0·9	3·5
Industrial Europe	21·3	85·4
US	11·5	46·2
Japan	0·9	3·5
Less developed Areas	3·8	15·0
Of which:		
Nine Middle-East countries	1·2	4·8
World	42·4	169·8

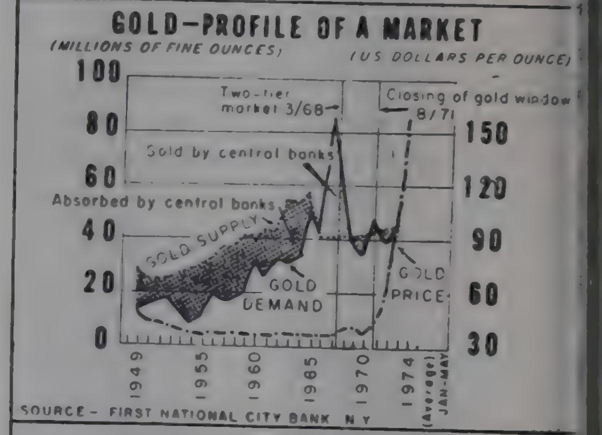
Note: France revalued its official gold holdings on January 9, 1974. The new price at $170·4 an ounce was fixed on the basis of the average of the two fixings on the London gold market on January 7.

It was expected that the free sale gold bullion in the USA would att many an investor who was afrai putting his savings in stocks or in b deposits because of the steadily ris prices and fall in the purchasing po of the dollar. However, all the calc tions made by bankers and others pro wrong and the demand for gold in USA in the first week of January tur out to be only a fraction of what been anticipated. This had an unfav



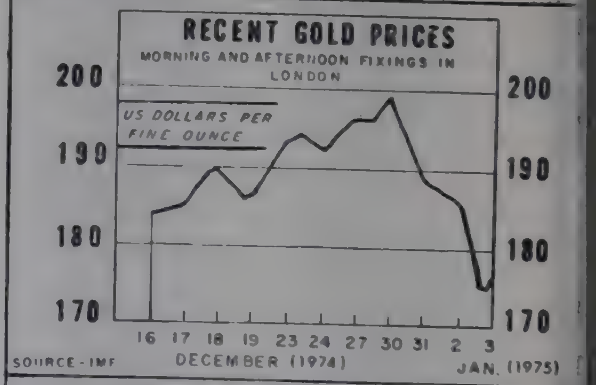
GOLD PRICE IN LONDON OVER SEVEN CENTURIES

SOURCE – GOLD & DOLLAR CRISIS BY "R. TRIFFIN"



GOLD–PROFILE OF A MARKET

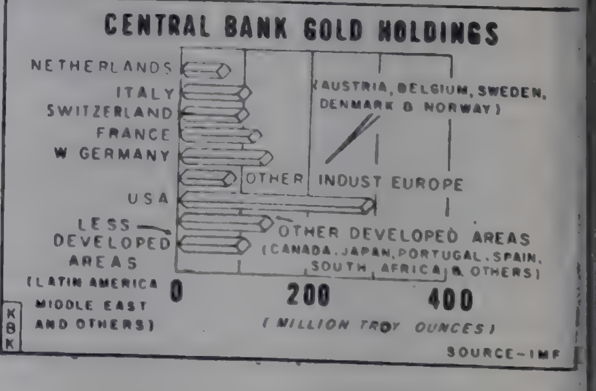
SOURCE – FIRST NATIONAL CITY BANK N Y



RECENT GOLD PRICES

MORNING AND AFTERNOON FIXINGS IN LONDON

SOURCE-IMF



CENTRAL BANK GOLD HOLDINGS

SOURCE-IMF

impact on the market with the t that prices tumbled to about $174 unce. It was too early to draw any lusion from this initial coolness of citizens to gold bullion. The demand this metal might pick up later on as impact of such unorthodox writers Hany Browne (author of best-seller ou Can Profit from a Monetary Crisis") s known to be considerable. Writers h as Browne had expressed their eference for gold in these words: "The sic protections against a runaway lation will be—as has always been the se historically—gold, silver and foreign rrencies that are'nt afflicted with simi- r runaway inflation." Incidentally the cent fluctuations in the price of gold ere in themselves a potent reason for not gging the future of world trade on a serve of such a volatile kind.

The decision of the American and rench presidents to allow the central anks to revalue their gold reserves at urrent market prices of gold was taken y the oil-exporting countries as a threat them. When asked to comment on he decision of the two presidents regard- ng the upvaluation of gold stocks, the hah of Iran is reported to have said: "If the up-pricing of gold held in stock y various countries led to an erosion of he real purchasing power of oil-exporting ations of revenues accruing from ex- orts of their oil, these countries should take necessary steps aimed at protecting their real purchasing power". The oil- xporting countries felt that the oil-consuming countries' answer to the increase in oil prices was a corresponding raise in gold prices. However, there was no indication that these countries had been increasing their stockpiles of gold. Whatever gold had been imported by some of the oil-producing sheikhdoms in the past few years was for transhipment to other countries and not for inflating their own holdings.

A natural outcome of the revaluation of the gold reserves would be a sharp increase in money supply of the world at a time when inflation had the upper hand in many countries. The IMF had not taken a decision in regard to the revaluation of its gold reserves and according to Dr. Henry Kissinger, the US Foreign secretary, there was no likelihood of the USA also revaluing its gold reserves at the ruling market prices. How far gold will come to be treated as any other metal depended on the attitude of the leading industrial nations. As stated earlier, the USA was keen to dethrone gold from the pedestal of a reserve currency. The IMF also, six years ago, had started the creation of Special Drawing Rights so that the future growth in world trade was not dependent upon gold reserves and the flow of trade was not hampered by the shortage of liquidity. Now that the world free price of gold had receded after having touched the ceiling of $200 an ounce, it was safe to assert that for the next few months the price of gold must rule at the current level. However, the recessionary tendencies witnessed in some industrialised countries might gather momentum, thus depressing the price of gold further.

In our country, the use of gold for the manufacture of jewellery has gone down considerably with the sharp increase in the price of this metal. But old habits die hard. Income-tax raids in many urban centres in recent months had shown that many families were holding on to gold ornaments whose value was beyond the permissible limit. Still a vast section of society in our country finds in gold a hedge against inflation. It will take many more years to persuade the people to stop investing in gold ornaments and take to investment in productive activities.

Who exploits labour?

THE CHIEF minister of West Bengal said in Calcutta on December 20, 1974 that if the governments, both at the centre and in the states, conducted their administration in close cooperation with the trade unions, it would help to stop the exploitation of labour in the country. He observed that, as the chief minister during the last three years, he had realised the value of such cooperation. He cautioned the working class against the ultra-leftists in the labour movement whose only aim was to grab the control of trade unions. He declared that the government of West Bengal would never allow the exploitation of labour and he claimed that his government had taken more measures for the protection of workers' interest than of the governments in the past 25 years. Mr Ray made these remarks while inaugurating the National Convention of the Hind Mazdoor Sabha.

The chief minister's statements may give an impression that labour in India continues to be exploited. But who exactly is doing this exploitation? Is it the private sector or the public sector or both, and if so, what precisely are the forms in which the exploitation is taking place? The general feeling in the country is that the central and the state governments in recent years have been pampering labour. The level of wages in the organised industries has been steadily and substantially increased during the last few years. Mr P. K. Nanda, the president of the Association of Indian Engineering Industry, revealed in New Delhi on the December 20, 1974, that in certain cities in India workmen earned as much as Rs 1600 to Rs 2000 per month and he pointed out that "there are very few amongst the working population from all walks of life who can claim to earn that figure". Besides, steps have been taken in other directions to improve the status of the industrial worker by expanding the level of his participation in many areas of decision-making, by establishing shop councils and similar bodies, by introducing incentive schemes linked to productivity; and in various other ways. These measures, however, have not helped to improve industrial relations to any appreciable extent.

The latest official figures indicate that the number of man-days lost on account of strikes and lock-out in India declined from 20.54 million in 1972 to 17.97 million in 1973. Of the latter, the central sector accounted for 2.78 million man-days and the state sector for 15.19 million man-days. Though this may seem to indicate a slight improvement, the fact is that in 1973 deterioration in industrial relations took place mostly in vital sectors such as coal and other mines, railways, ports and docks. It is also significant that in West Bengal, which is so important to the country from the point of view of industrial production and export, the number of man-days lost on account of strikes and lockouts rose steeply to 6.58 million from 3.96 million in 1972. In fact in 1973, of all states in India, West Bengal accounted for the largest number of man-days lost due to the strikes and lock-outs. The trend is shown in the following official figures.

TABLE I

Number of Man-days Lost on Account of Strikes and Lock-outs in Major States

(Million Man-days)

State	1971	1972	1973*
I. Total for all States	16.55	20.54	17.97
Of which:			
1. Bihar	0.68	0.60	0.26
2. Gujarat	0.14	0.27	0.35
3. Kerala	3.12	3.21	1.30
4. Maharashtra	2.05	3.53	2.39
5. Tamil Nadu	1.71	4.27	1.46
6. West Bengal	4.29	3.96	6.58
II. Total (1) to (6)	11.99	15.84	12.34
III. (II) As per cent of (I)	72.4	77.1	68.7

*Provisional.

What is even more disturbing is that there has been hardly any substantial improvement in labour productivity in the country as a whole. Mr P. K. Nanda said that "the average productivity in India's engineering industry relative to international standards is indeed low". It is, of course, true that management has to do a great deal to facilitate an improvement in labour productivity. But this task is made extremely difficult by the indifferent and irresponsible attitude of trade unions towards problems of productivity. The unions have done little to create a sense of pride among workers in their job. On the other hand, the unions are trying deliberately to foster indiscipline among them. To quote Mr Nanda again: "Some of them regard discussions on productivity an anathema. Over the years they have injected into the system of work relationships a great lack of dignity of labour. We have a situation where a peon or a clerk would not carry his own books if they weighed more than two kilos or that a driver would not clean motor cars for it is a cleaner's job, or that a sweeper would not dust a piece of furniture for it is a peon's job. Or that a peon would not serve a glass of water to a thirsty visitor because it is some one else's job. I give these trivial examples only to highlight how deep-rooted the malady has become".

Mr Nanda added that there was "a complete breach between identification of interests of labour and managements and a lack of realisation that a responsi trade unionism is a necessary p requisite as much as a responsible a efficient management for building up sound industrial future". A signific remark he made was about over-empl ment in the engineering industry. pointed out that at the national le over-employment in manufacturing un was far costlier than unemployment. T trend prevails and persists in many oth industries also but it seems that there hardly any prospect of corrective acti being taken in this regard in the ne future.

In her address to the 20th annual se sion of the Indian National Trade Uni Congress in Bombay on Decemb 28, Mrs Gandhi told the workers tha mere increase in wages, bonus or allo ances would not solve the economic pr blems of the country and that the would only diminish the value of the rup and the worker's real earnings. She urg the working class to boost production all spheres to meet the daily necessit of the common man. But will the tra unions and the political parties that d minate them adopt a truly constructi approach?

Eastern Economist 30 Years Ago

JAN. 19, 1945

The capital and investment market of 1944 was dominated more or less entirely by abnormal factors like military events, investment controls and prohibitions, price controls, etc. and as such can hardly furnish much guidance to the more permanent problems of peace and reconstruction. For the latter purpose, we must fall back very largely on our experience of the past and this experience established very clearly that the main deficiencies of the market are three viz., the staggering waste of mistaken or incompetent promotion; high instability of values and consequent deterrence to genuine investors; and finally, the tendency to waves of over-investment and under-investment with their serious reactions on production and employment. It is true that the general, uninstructed public is apt to think of this market more in terms of frauds and mal-practices than any technical deficiencies, but it will be found on deeper reflection that these evils are largely traceable to the three defects already stated. It follo therefore that improvement and reform for th future must consist very largely of moderation elimination of these defects. Ultimately, indee these defects themselves proceed from the fact th the whole mechanism of the market rests on th foundation of individual judgment and inves ment enterprise. It is true that expert and high specialized intermediaries — the brokers — exi to offer guidance to the investing public. Bu experience proves conclusively that their existenc does not modify in any substantial manner the in herent drawbacks and weaknesses of individu judgment which more often than not is apt to b lay and uninstructed judgment. In other words the drawbacks and weaknesses of the investor judgment constitute the real basic problem of th capital and investment market and the main direc tion of reform must be to find effective means to protect the investor against himelf.

ROM THE CAPITAL'S CORRIDORS

R. C. Ummat

The Oil Scene • Essential Commodities Identification

L MATTERS have been very much to e fore during the past fortnight. We d the privilege during this period of aying host to two high dignitaries from st Asia—Sheikh Zayed bin Sultan Nahyan, the President of the United rab Emirates, and Sheikh Mohammed n Mubarak al-Khalifa, the Foreign inister of Bahrain. Another very dis- nguished visitor last week was Lord alogh, the British minister of state for nergy.

Along with oil matters, our overall onomic relations with the west Asian ations have been receiving great consi- eration in the highest quarters in the ecent past. They came up for discussion ot only during the visits of the UAE resident and the Bahrain Foreign minis- er, but have also been receiving great ttention otherwise in view of the recent isit of a delegation of Iranian trade and ndustry representatives and the current isit to west Asia of a seven-member ndian industrial delegation under the adership of Mr K. K. Birla, the Pre- ident of the Federation of Indian hambers of Commerce and Industry. Mr K. D. Malaviya, the union minister or Petroleum and Chemicals, too is urrently in Iraq for a meeting of the ndo-Iraq Commission for Economic Co- peration.

upporting Arab cause

We, of course, have been keen on in- ulcating close relations with the west Asian nations right since independence; he government of India has been warmly supporting the Arab causes all hese years. But this keenness has grown urther following the developments on he global oil front during the last two years. As a result of the near-quad- upling of the prices of west Asian crude oil, our balance of payments position has come under very heavy strain. Efforts, therefore, are being made for arranging crude oil supplies from west Asia—nearly 65 per cent of our requirements of crude oil and petroleum products have to be met by imports, overwhelmingly from this region—in a manner which would not put our economic growth in jeopardy. Besides the assistance available from the International Monetary Fund under the "oil facility" created by it last year, efforts are being made to secure some direct credits from the west Asian oil-rich nations and also for stepping up exports to this region so that adequate supplies of crude oil can be ensured. The development plans of the west Asian countries, which are bound to receive great impetus following billions of dollars flowing into these countries as receipts for crude oil exports, too offer great opportunities for Indo-west Asian collaboration in the economic fields. We are in a position to meet the requirements of west Asian nations not only in respect of such commodities as sugar, basmati rice and various other consumer items but also equipment for industry and building up of infrastructure.

economic relations

That the west Asian nations too are interested in having close economic relations with our country is evident from the Indo-Iran collaboration in the development of the Kudremukh mines for supplying iron ore to Iran. Bahrain has suggested that Indian expertise could be availed of by it for constructing a $200 million dry dock there. The UAE has shown interest in technical assistance from here for its industrial growth. Like Iran, it has well evinced interest in making investments in our country in some joint ventures. It is said to be prepared even for joint ventures in third countries with our collaboration. We are already collaborating with Iraq and Iran on a significant scale in the building of Infrastructure there. In Iran, we also have an oil exploration concession in partnership with Gulf Petroleum and ENI. Further, an Indo-Iran shipping venture has been launched recently. Iraq is said to be favourably inclined to have our Oil and Natural Gas Commission for exploring oil in some areas there.

So far as supplies of crude oil are concerned, the UAE, it is understood, will be supplying this year at least two million tonnes. It has agreed to supply "substantial" quantities of crude on a long-term basis at "favourable terms". Though the details of the supplies on long-term basis are yet to be finalised, the UAE, it is learnt, would be able to make available some soft loans for meeting the cost of these imports.

offshore exploration

Another significant gesture made by the UAE president during his visit to New Delhi early this month has been the offer of assistance for our offshore exploration programme by providing foreign exchange for the purchase of drilling ships and other equipment. An agreement has as well been signed for setting up an Indo-UAE Commission for Industrial, Scientific and Economic Co-operation.

The Bahrain Foreign minister ruled out any significant crude oil exports to our country because of the declining trend in that country's output. But some ad hoc imports of such petroleum products as fuel oil and diesel oil are not ruled out. The Bahrain Foreign minister too has sought our collaboration in the industrial projects of his country. A delegation will be visiting Bahrain for this purpose shortly.

Assistance for our offshore oil exploration programme has been offered by the British state minister for Energy, Lord Balogh. It, of course, is to be primarily technical—interpretation of the offshore exploration data. Not only Indian oil experts are proposed to be invited to the UK for training under this programme but also some British experts might visit India. Britain, Lord Balogh told newsmen last week, had developed new techniques for offshore oil exploration which have been found highly rewarding in the North Sea ventures.

Underlining the similarity of the

energy problem faced by us and Britain. Lord Balogh as well disclosed that his country would supply to us four coal cutting machinery units worth £ 3.2 million for our coal development programme. Emphasising that next to atomic power, coal currently was the cheapest source of energy, he indicated that "a plan for action" was expected to be drawn up on his return to London in consultation with the British Coal Board for further assisting our coal industry.

So far as the oil supply situation on the domestic front is concerned, the union ministry of Petroleum and Chemicals is understood to be tying up arrangements for ensuring about 22.5 million tonnes product availability. Under the existing arrangements, two million tonnes crude oil is to be imported from the UAE. Saudi Arabia is to supply to the public sector agencies 1.1 million tonnes. Public sector imports from Iran are likely to be of the order of 3.8 million tonnes under a contract already reached. Under an agreement with Iraq, four million tonnes crude oil were to be supplied to us by that country between 1973 and 1975. Thus, about 1.5 million tonnes will be available this year from this source. Indications are that both Iraq and Iran may supply some additional quantities also. The recent changes in the pricing pattern of west Asian crude, however, has made imports by the oil companies costlier by 8 to 13 cents than governmental imports. Thus, efforts are being made to increase governmental imports. Nearly eight million tonnes crude oil is expected to be available this year from indigenous sources. Libya too has offered two million tonnes this year, but imports from this country will have to be swaped with some other sources in view of the high transportation costs involved. The government sources feel confident that the current year's expected demand would be met squarely.

Meanwhile, the striking of oil in the third well also in the Bombay High structure has raised hopes that the interim programme of having nearly a million tonnes output from this oilfield by the middle of next year would now definitely materialise. It also holds out promise that the Bombay High area, when fully developed, may be able to yield as much as 10 million tonnes crude oil annually by the end of the current decade. It is estimated that nearly 100 wells will have to be drilled to develop the area fully. This may cost about Rs 500 crores. At the current prices of crude oil, all this investment, however, can be recovered in a single year of the estimated production of 10 million tonnes crude. The interim programme has been drawn up to make the Bombay High venture more or less self-financing.

The seisimic surveys of the two blocks in the offshore Cambay area in the west and the Bay of Bengal in the east, which have been licensed for exploration to two foreign concerns, too have indicated the possibilities of striking sizeable oil reserves. The data yielded by these surveys are being currently interpreted. Drilling in the two areas is expected to be taken up by the licensee concerns in the near future.

* *

The task of identifying the essential commodities the uptrend in the prices of which the union government is anxious to contain within reasonable limits is not likely to be completed even by the end of this month, although it was taken up by the department of Civil Supplies nearly two months ago. Not that the task has not been taken up in right earnest; in fact, a good deal of consideration has already been bestowed on the issue. But the delay in completing it has been caused by the fact that the state governments are being fully associated with the job.

The representatives of state governments met at a conference here a few weeks back. The minister for Industry and Civil Supplies, Mr. T.A. Pai, did some loud thinking at this meeting. The New Delhi conference has been followed up by two regional meetings—one at Cochin in the south and the other at Bombay in the west. Another meeting has been arranged for the eastern states at Calcutta on January 23. Consultation with the northern states are also going on. It is proposed to hold another conference at New Delhi after the Calcutta meeting to bring about a consensus among the state governments on the very essential items the availability and prices of which should be kept under close watch.

To make the scheme effective, it is felt that the list of essential commodities will have to be kept to the minimum. Under the Essential Commodities Act of 1955 nearly 60 items are listed for keeping their prices in check. The erstwhile civil supplies organisation at the centre used to look after 20 essential commodities — the other 40 items were being looked after by the various economic ministries concerned. The 20 items looked after by the erstwhile civil supplies organisation included foodgrains, edible oils (including vanaspati), kerosene, diesel oil, paper and stationary, drugs and pharmaceuticals, baby food, textiles, matches, sugar, soap, cycle tyres and tubes, bicycles, electric lamps, soda ash, torch cells, hurricane lanterns, razor blades, footwear, milk and household utensils. The Mohan Dharia Committ which last year went into the issue afres had suggested that besides foodgrai the primary concern of the governme should be to effectively look after t containment of the prices of such oth commodities as pulses, sugar, vanasp and processed edible oils, milk, comm clothing, common footwear, kerosene a other commercial domestic fuels, sta dard washing materials and school te books.

The department of Civil Supplies h suggested that instead of one comp hensive list of essential commodities t prices of which should be controlled kept at a reasonable level through bala ing supplies and production, three li should be drawn up. In the first l should be included, besides foodgrains wheat and rice primarily and coa grains and pulses whenever thoug necessary—sugar, vanaspati and oth vegetable oils, standard cloth and hous hold fuels like kerosene and soft co In respect of these commodities, all effo are proposed to be made to adjust su plies to demand through raising outp and ensuring essential inputs going i their production.

The second list, it is thought, sho include cement for public sector projec low and middle income groups and sl clearance; paper and stationary (includi exercise books for students); yarn f weavers; (4) diesel oil for aggricultu purposes; essential drugs; washing soa salt; and matches. The supplies of th commodities are envisaged to be ma available at reasonable rates to t vulnerable sections of society on a prior basis. Production has to be at le balanced to the priority demand.

In the third category are to be i cluded baby food, tyres and tubes f cycles, scooters and trucks and comm footwear. In the case of these comm dities, it is felt that only a very care watch should be kept on their prices a production trends.

Cooperatives are envisaged to play great role in the programme. They ha to be strengthened for this purpose. is further felt that enlightened consum movement will also have to be foster With a view to expeditiously raising t production of industrial goods comi in the ambit of this programme, empha is proposed to be placed on fuller ut sation of the existing capacities. Where t existing capacities are insufficient, prior is to be accorded to augment capacity quickly as possible by including the ite concerned in the category of core indust whose requirements are provided prefere tial treatment in respect of finance, r materials, etc.

MF chief looks at world inflation

Text of a speech delivered by H. Johannes Witteveen, Managing Director of the International Monetary Fund, to the American Economic Association and the American Finance Association in San Francisco, California, on December 28, 1974.

DAY, I thought it might be appropriate
me to say a few words about the
re and causes of the accelerating in-
on from which the world has recently
suffering, and in particular about
inter-relationships that may exist bet-
n inflation and recent developments in
exchange rate system.

A certain degree of price inflation has
n pervasive throughout the postwar
iod. During the 1950s its importance
ned on the whole to be declining but
r the trend was reversed. During the
ade of the sixties national income
ators in the industrial countries rose,
the average, at an annual rate of 3.4
cent. While the rate of increase fluctu-
d somewhat there was a gradual tenden-
for inflation to gather speed towards
end of the decade. For a year or two
tendency was checked by the reces-
n of 1970 and 1971, but in the follow-
years the acceleration was rapid in-
d with price increases of over 7 per
t in 1972 and almost 12 per cent in
3 and 1974.

veloping nations' plight

Developing countries have always, on
average, had higher rates of inflation
n industrial countries, but the same
nd is visible among them: their con-
ner price indices, which had risen at
average rate of 13 per cent during the
65-72 period, accelerated to 24 per cent
1973 and 35 per cent in the early
nths of this year.

During the 1950s and 1960s those who
plored what was then called inflation
uld console themselves with the thought
at at least it was accompanied by an
precedentedly rapid expansion in
oduction and rise in living standards.
the inflation had to any extent served
promote the exceptional real growth,
might seem to some not too high a price
pay. In the 1970s, however, a very
nister phenomenon, previously familiar
us only from the history of hyper-in-
ations, has reappeared and recently become acute, namely, the concurrence of steeply rising prices with declining output and rising unemployment. This phenomenon, sometimes termed "stagflation," presents those responsible for economic policies with an excruciating dilemma.

Looking back, it would seem that the present inflation had begun as the normal expression of an excess-demand situation evoked by policy responses to a preceding recession. The source of many of our current problems may be traced to the slowdown in economic activity which occurred in 1970-71 in most industrialized countries. Real output expanded rather sluggishly during these two years, averaging 2.7 and 3.7 per cent in real terms for the industrialized countries as a group. Government policy subsequently became more expansionary. With hindsight, it is possible to say that the fiscal and monetary policy actions taken were probably too stimulative. For instance, the average rate of monetary expansion in industrialized countries increased from a relatively moderate rate of 7 per cent during 1969-70 to over 12 per cent in 1971 and 1972. This high rate of monetary growth was accompanied by, and to some extent reflected, the pursuit of expansionary fiscal policies in many countries. To this expansion in the monetary aggregates in the various national economies must be added the sharp increase in credit available through the Euro-currency market. The estimated size of the Euro-currency market increased from $44 billion at the end of 1969 to $132 billion, or almost 15 per cent of the world monetary stock, at the end of 1973. This must have contributed in no small measure to world-wide inflationary forces.

As a consequence of the stimulative actions taken during 1971-72, the world economy entered a phase of strong expansion in 1972-73. During these two boom years the rate of real GNP growth averaged 6 per cent, a rate that was not sustainable on a long-term basis. As bottlenecks and capacity constraints were reached, excess demand pressures built up quickly and contributed to the price increases to which we have referred.

Though the current inflation began and gathered strength under the stimulus of demand pressure, there seems little doubt that in its latter stages it has been aggravated and accelerated by cost-push factors, some of which, in turn, have arisen from particular features of the demand inflation. It is these cost-push factors which in turn have been responsible for the coincidence of inflation and declining output.

foodstuffs affected

Thus, the boom of 1972 and 1973 had a particularly strong effect in raising prices of foodstuffs and raw materials. Long-run factors such as rising population and rising per capita income may have been tending to expand demand for agricultural products faster than the trend growth of supply. However that may be, supplies have recently been curtailed by a series of bad harvests. Consequently, agricultural stockpiles were reduced. Their disappearance removed a factor which had served to mitigate the price raising effects of past periods of industrial expansion. The elimination of the stockpiles served as a signal ,to speculators that future shortages would find expression in price changes rather than in sales from existing stocks.

The rise in the price of foodstuffs and most other primary products, though of unusual magnitude, must itself be regarded as an aspect of demand-induced inflation. The same cannot be said of the sharp increase in crude oil prices at the end of 1973 which added another powerful impetus to world inflation. Petroleum is the single most important commodity in world trade and its widespread use as an industrial input, as well as a consumer good, affects wholesale and consumer price indices directly. It has been estimated that the direct impact of the crude oil price increase added some 2 to 3 per cent to world prices.

effect on finished products

The soaring flight of primary product prices arising from these causes would appear to have stimulated an increase in the prices of finished products greater than could be accounted for by its direct effect on costs. It has done so by evoking increases in other cost elements to a greater extent than could be justified by demand conditions, thus magnifying and accelerating the inflation.

Thus, labour has generally been unwilling to accept the drastic reduction in real income growth—or even absolute decline in real income—which the rise in primary product prices would tend, under market principles, to require of it. And this reluctance has understandably been enhanced by the increases in paper profits which the inflation itself, in conjunction with conventional principles of cost accounting based on historic costs, has tended to bring about.

Another important element in this connection is indexation. Many wages and social benefit payments had been indexed during the late sixties and early seventies when we experienced an inflation that was relatively mild compared to our present situation. Often, these contracts contained threshold clauses, providing for increased wages or benefits only after a certain price index had increased by a stipulated percentage. The accelerating price inflation in 1973 triggered many of these clauses and consequently costs to business enterprises and governmental expenditures for social benefit payments increased. At a late stage in inflation, when price expectations, enhanced by an uncertainty factor, are tending to exceed actual inflation indexation may play a part, in conjunction with demand management, in bringing the process to an end. At an earlier stage, however, its influence almost certainly runs the other way.

As regards profit margins, two opposing forces have probably been at work. Insofar as firms have based their pricing policies on historic cost or insofar as price controls, where they exist, have been administered on this basis, price increases may have been temporarily mitigated or held back. There has, however, been a very natural, and indeed desirable, tendency for firms to shift their pricing policies to a replacement cost basis even where national authorities have been reluctant to reckon taxable profits in this way. On the other hand, the widely practised system of percentage markups as such is obviously one which tends to multiply the price raising effects of any increases in costs of materials or labour, whether these increases are a reflection of demand-pull or cost-push factors. Where the total amount available for distribution between capital and labour in industry has been diminished by the rise in primary product prices, the combination of linking wages to the cost of living and the application of percentage price margins by employers sets up a perfect mechanism for the production of a wage-price spiral.

The system of direct taxation in industrial countries, both on account of its progressivity and of its adherence, in some countries, to historic cost-accounting principles, tends, of course, to act as a drag on demand inflation. There have been indications, however, that it may be tending to promote cost-push inflation insofar as unions in their wage bargaining and employers in their pricing practices try to maintain a given net-of-tax income. Somewhat ironically, with a progressive tax system the effect of such further inflation will be still further to reduce real after tax incomes.

accelerating pace

As inflation has persisted at an accelerating pace, people have become increasingly more conscious of it, increasingly inclined to expect its continuance, and increasingly desirous of protecting themselves against it. This may even go to the point where economic units try not only to recuperate past losses, but also make an attempt to protect their position against the expected future erosion of their economic position due to inflation by anticipatory price or wage increases. This has naturally given a further impetus to inflation and, together with the factors already mentioned, has contributed to a shortening of the time lags between the various stages of inflation. Thus, we have shorter union contracts, indexation of wage and social ben fit payments, flexible interest rate clause changes in accounting practices, and othe arrangements under which price increase are passed on more rapidly than woul otherwise be possible and perhaps even i a magnified form.

All these factors, taken in conjunction not only contribute to the inflationar spiral but, by accelerating the interactio of price on price, make the system increasingly sensitive to exogenous inflationary shocks. In this context it is easie to understand the magnified repercussion of the increase in oil prices which I referred to earlier.

warning note

I do not wish to embark, today, o the theme of what requires to be done to counter inflationary pressures, or to remedy the stagflation from which we suffe today. I would only sound one warnin note, derived from a good deal of Fun experience. Partial measures, designe to hold down the price of particular good and services, such as those which ente prominently into cost of living indices o those produced by the public sector whether they operate by way of price control or of subsidy, are unlikely to be successful in reducing inflation as a whole and may often stimulate demand. In addition, they usually create scarcities o divert resources from their most appropriate uses. Only comprehensive measures whether in the field of demand management, or of incomes policy, or both will serve.

Thus far, the causes of inflation which I have analyzed have been those which could operate in a closed economy. I should now like to focus on an aspect of the arrangements governing the transmittal of inflationary or deflationary impulses between countries.

It has not escaped notice that the period—from 1973 on—in which inflation has begun to get out of hand in the world is also the period during which floating exchange rates have been the rule rather than the exception among industrial countries. The question is whether this is a chance combination of circumstances or whether there is an interrelationship between the two phenomena and, if so, what it is.

First, a few words on the role of inflation in the abandonment of the par value system.

As we have seen, a moderate degree of

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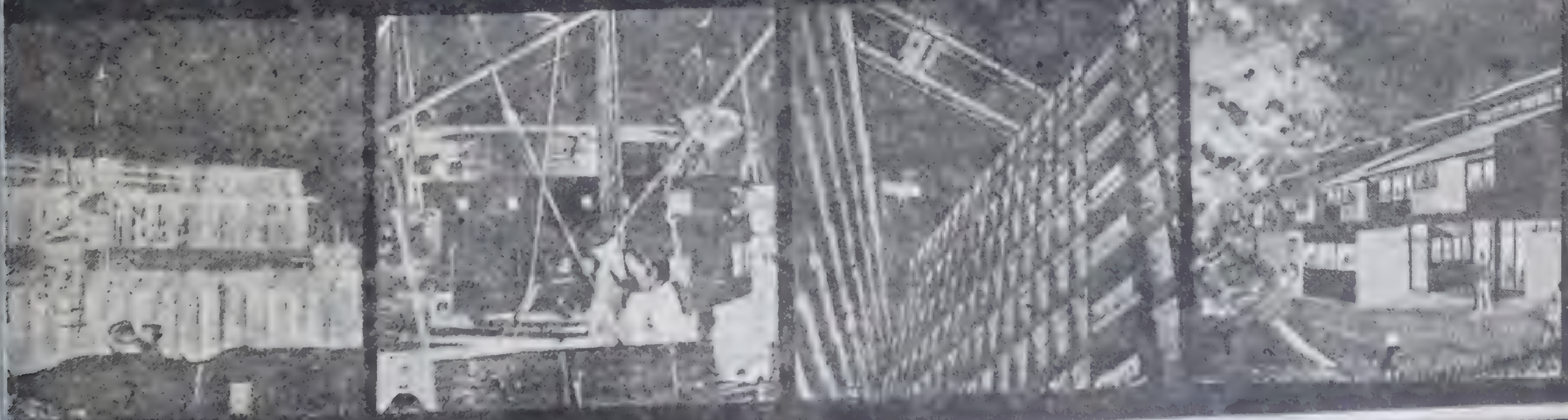

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ation prevailed throughout the post-
period, becoming less moderate in
late 1960s. Moreover, the character of
inflation changed somewhat, cost-
sh elements becoming more prominent.
hereas earlier inflation had been fueled
reconstruction needs and sometimes by
incapacity of governments to finance
eir expenditures without recourse to the
nking system, later the prime motive
s to preserve a high level of employ-
ent which, given more aggressive beha-
or of labour, could only be done at ris-
g price levels.

Stable exchange rates can only be com-
ned with desired levels of employment
hen there is a consistent development of
ice levels in different countries. Now,
stractly, the mere fact that prices are
sing everywhere does not prevent rela-
ve national price levels from remaining
nstant or moving in a direction consis-
nt with international equilibrium. In
ractice, however, the higher the degree
f inflation, the larger are likely to be
e divergences in inflation rates. More-
ver, there is no reason why such diver-
ences should occur in the direction re-
uired by structural changes affecting the
alance of payments.

ost-push element

The growing importance of the cost-
ush element in inflation probably tended
accentuate these divergences and to
ecessitate exchange rate adjustments.
Vhile profits were high and unions un-
ggressive, countries in payments difficulty
ould get back into balance by slowing
lown the expansion of demand without
ndue effects on employment; when cost-
ush became the driving element in infla-
ion, this ceased to be true and devalua-
ion became the only solution.

Of course, exchange rate adjustment
ould take place under the par value sys-
em. During the sixties such adjustments
were often unduly delayed, but later,
when they became more frequent, the
volume of anticipatory capital move-
ments grew too great to be contained
within the structure of this system, and
resort to generalized floating became in-
evitable.

A question which is perhaps more controversial than that of the role of inflation in compelling a transition to flexible exchange rates is that of the possible role of the flexible exchange rate system in promoting inflation.

There are various reasons, much discussed in the literature, for thinking that exchange flexibility and in particular freedom from the obligation to adhere to any particular exchange rate should make it easier for a country to cope with inflationary pressures and to preserve internal financial stability.

In the first place the option of allowing one's currency to appreciate should enable the monetary authorities of a country to buffer it against the impact of demand pressures from abroad whether these arise from lax demand policies practised in other countries or from structural shifts in foreign trade, though in the latter case adjustments will still be required as among particular industries. It should also enable them, though at some cost in terms of exchange stability, to protect the monetary system against an influx of reserves that would otherwise be difficult to offset. The degree of insulation against external shocks that is achieved in this way is reduced by a number of factors.

Thus, the more inflationary countries may for a time attract a sufficient volume of investable funds to prevent their exchange rates from falling, and those of the less inflationary countries from rising. Again, the low level of foreign trade elasticities in the short run means that when exchange rates do move the buffer against external demand variations will be fully effective only after a time lag. Nevertheless, the monetary insulation will operate immediately, and I think that countries like Germany or the Netherlands would feel that the regime of floating rates had served to protect them, at least in some measure, against imported inflation. At the same time, it has to be borne in mind that insofar as this mechanism tends to prevent the spread of inflation it also tends to concentrate and magnify it in the countries in which it originates.

an advantage

A second, though related, advantage of the flexible rate system from the standpoint of stabilization policy is that the instruments of demand management, particularly monetary policy, operate much more powerfully on the domestic economy when they are not subject to the leakages that affect an open economy under fixed exchange rates. Monetary contraction need no longer be frustrated by an influx of reserves and money from abroad and will, by promoting exchange appreciation, exercise a deflationary effect on the current account balance of payments. Here again, some of the deflationary effect will be achieved at the expense of other countries, but these countries have both the incentive and the possibility to follow suit with effective stabilization policies of their own.

Balancing these arguments in favour of flexible rates, there are two arguments frequently advanced against flexible rates from the standpoint of stabilization policy. There is, first, the contention that governments, especially democratic ones, are naturally prone to pursue expansionary policies and that exchange flexibility removes the inhibitions formerly imposed upon this tendency by fear of running out of reserves and of incurring the political odium of devaluation. There is some force in this contention, though the fact that under floating rates the effects of overexpansion must be kept at home with immediate repercussions on the domestic cost of living should provide, to some extent, a substitute discipline, if possibly a less effective one. I must add that there is not much evidence that the transition to floating rates in 1973 has led to a perceptible loosening in demand management. The expansion in money stocks which laid the foundation for the boom took place from 1970 to 1972 which, despite an interlude of floating in 1971, was on the whole a period of fixed rates.

familiar argument

Another familiar argument against floating rates which seems somewhat dubious in practice is the contention that spontaneous inflation pressures within a country which would, under fixed rates, have been dispersed harmlessly over a wide area where they could be more easily dealt with might, under floating rates, be "boxed in," as it were, in the country of origin in a way that makes them more difficult to control. This might have some validity under a system of free floating when countries were forbidden to intervene to support the exchange rate, but under the system of managed floating which actually prevails countries are free to intervene in support of the rate and when domestic inflationary pressures are strong are very likely in practice to do so.

There are, however, some other reasons for suspecting that floating rates may on balance have contributed to the average rate of inflation among countries in the last year or two. Most of these operate from the side of costs rather than of demand. For example, there is the question of the risks attached to international transactions and to the production of internationally traded goods. We have seen some rather large fluctuations in exchange rates since generalized floating began, particularly as between the US dollar on the one hand and the currencies participating in the EEC snake on the other, where the amount of stabilizing official intervention has been rather small. Thus, the deutsche mark appreciated some 30 per cent vis-a-vis the dollar from February 14, 1973 to July 1973, then depreciated by 22 per cent by a date in January 1974. Five months later, by May of this year, the mark had risen again by 20 per cent to a new peak only to fall 10 per cent to a new trough in September. Since then it has risen again by nearly 10 per cent. It can be argued that these fluctuations have shown a declining tendency. Nevertheless, they have been large, and must have added to the risks of doing business not only as between the two countries in question but among all those countries whose currencies are tied either to the dollar or to the DM, or even those which try to steer a middle course between the two.

high spreads

While one can hedge in forward markets against some of these risks, these markets are not well developed for all relevant maturity periods, and the spreads charged on forward contracts are relatively high. Besides, production of international trade goods or investment in such production involve many types of exchange risks which cannot be hedged by short-term forward contracts. Of course, devaluation and revaluation risks would exist under a par value system also; moreover, in some cases the adjustment of exchange rates facilitated by a flexible system will serve to offset other risks, such as the risk of divergent developments in domestic currency costs. But the sort of short-to-medium term fluctuations in rates, to which I have drawn attention have characterized the flexible rate system up to now, and it would be strange if required profit margins had not been widened to cover such risks.

These fluctuations probably promote inflation in yet another way. Exchange rates influence the distribution of demand between domestic and foreign products, and rate fluctuations will involve demand shifts which will later in some measure be reversed. These demand shifts may well exercise a ratchet effect on inflation. Given the downward rigidities in wages and prices characteristic of modern industrialized economies, shifts in purchase patterns brought about by the exchange rate changes, or even the expectation of such shifts, may tend to raise prices in the countries of depreciating currency without effecting a corresponding price reduction in the countries of appreciating currency. It might be argued, in view of the slowness with which demand patterns respond to exchange rate changes, that this ratchet effect would not be very important for fluctuations as short term as those to which I have just referred. However, there is evidence that prices are adjusted to meet changes in competitors' prices evoked by exchange rate movements in advance of the expected shifts in demand, and that these anticipatory price adjustments are more marked in the upward direction.

This brief review of the interrelationship of inflation and exchange rate flexibility seems to yield some tentative conclusions. In the first place, the influence of inflation on the exchange rate regime has been more considerable than the influences operating in the opposite direction. As regards the bearing of the exchange regime on inflation, I would say that floating makes it easier for countries with relatively strong anti-inflation policies to achieve the desired results; but that the price for this is more inflation in countries already inflating more strongly. Thus, floating which is partly caused by differences in rates of inflation in its turn increases these differentials. With respect to the average rate of inflation in all countries taken together, floating exchange rates may have been a slight additional fillip to inflation, particularly through the effect on the risk element.

An important distinction has to b drawn between the role of the floatin technique in permitting prompt adjustme to underlying trends or even to cyclic reactions in the balance of paymen and its role in permitting shorte term fluctuations. The first aspect almost entirely beneficial from th standpoint of inflation control, as indee from the aspect of adjustment in genera The second aspect is the one that ma cause trouble both for stabilization polic and, indeed, for adjustment also.

In a decision adopted last June th Executive Directors of the Fund ha agreed on a set of guidelines or principle which its members will attempt to follo to avoid disruptive exchange ra movements under floating. The cour of action which the guidelines encourag is that of smoothing out day-to-day an week-to-week fluctuations in rate resisting over-rapid movements of rate in any particular direction, and resistin undue deviations in rates from the medium-term norm, if such can be discerned. This would tend to eliminat the additional risk resulting from exce sive short-run fluctuation in exchang rates.

In the further development and application of these guidelines I therefor see a possible remedy for any net tendency that may exist for the floating ra system to promote inflation. This argue strongly for the development of the international consultation and cooperatio which could make these guideline effective.

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Trends in Indo-UK economic cooperation

V. K. Korneel

RING THE last three years, Indo-UK nomic relations had exhibited robust ns of improvement in sharp contrast the unhappy trends in the fifties and sixties.

Till 1970-71, India's exports to the had continually declined. And this applied to its imports from the UK. e share of the UK in India's exports lined from 28.1 per cent in 1955-56 to 1 per cent in 1970-71; during the ne period, the share of imports fell m 26.6 per cent to 7.8 per cent.

The year 1971-72 marked the beging of the upward trend in the development of the trade relations between two countries. India's imports jum from Rs 126.8 crores in 1970-71 to 216.9 crores in 1971-72 recording a e of more than 70 per cent in one ir. Consequently, there was a general rease in the total turnover of Indotish trade. In the subsequent years o, the rising curve of trade kept ving upwards.

urt in exports

The year 1973-74 witnessed a spurt exports to the UK at Rs 258.3 crores against Rs 172.5 crores in 1972-73. ports also rose from Rs 225.5 crores 1972-73 to Rs 245.1 crores in 1973-74. is sharp upturn in turnover came out despite such negative factors as e UK's entry into the European Econoc Community, increased competition the UK market for traditional Indian ports and the general fall in demand the UK due to the recessionary tenncies.

The upward trend in the development Indo-UK trade continued in 1974-75 well. According to British statistics, dia's exports to the UK during the st seven months of 1974-75 was valued £116.2 million (Rs 220 crores) against 72.7 million (Rs 137 crores) during e corresponding period in the preceding ear. It was expected that during 1974- the value of India's exports to the UK ould be more than Rs 410 crores.

Some important steps for attaining this target had already been undertaken. One of them was the organisation of India's trade exhibition which was sponsored by the Trade Development Authority, and which was held in London in October, 1974. This exhibition had rendered substantial help to Indian businessmen in securing large orders for the supply of engineering goods to the UK.

Britain's exports to India were also developing progressively.

imports from Britain

During 1973-74 the sale of British goods to India amounted to Rs 245 crores against Rs 225 crores in 1972-73. In 1974-75 it was expected that, taking into account the latest developments in India's imports from the UK, the total amount of imports would cross the Rs 300 crore mark.

The UK was expected to supply to India a large quantity of coal-mining equipment which was urgently needed to raise annual production to 135 million tonnes of coal in 1978-79.

During September-November, 1974, three delegations of British manufacturers of coal-mining equipment had paid visits to India and, as a result of their discussions at the ministerial level, a contract for the supply of mining equipment valued at Rs 6.4 crores had been signed.

The conclusion of this deal in which, it was understood, the prices paid by India were more than 20 per cent above the international prices for similar equipment,* was to a great degree facilitated by the extension of a British credit.

Generally speaking, loans and credits from the UK had greatly helped in developing British's exports to India during the last 15 years. Even the import policy for 1974-75 had a special clause which provided that 25-30 per cent of the total amount of import licences issued to small-scale units exporting less than 10 per cent of their output was to be under the UK credit.

Also, during the first seven months of the current financial year, the UK had extended to India loans and credits valued at $ 70 million on terms which were more favourable that all the other foreign loans.

The total value of the UK's financial aid to India during 1958-1973 was £ 589 million (Rs 1063 crores); it constituted 10 per cent of the total aid received by India till the end of 1973-74.

TABLE I

Britain's Financial Aid to India
(As on 31-3-74)
(Rs crores at post-devaluation rate of exchange)

	Amount authorised	Amount utilised	% (3/4)
(1)	(2)	(3)	(4)
1. Total foreign aid to India	11767	9966	81.0
2. UK aid	1177	1087	92.4
3. UK aid as % of the total aid (2/1)	10.0	10.9	—

Source: "Explanatory Memorandum on the Budget of the Central Government for 1974-75" New Delhi, 1974.

Nearly one-third of the total value of the UK's loans and credits to India was in the form of project aid which helped to finance such projects as Durgapur Steel Plant, Heavy Electricals (Bhopal), Oil India and Hindustan Cable.

Out of the remaining 67 per cent of the total UK aid to India 10 per cent was in the form of debt relief. The UK had been one of the first countries to provide debt relief to India and 57 per cent of it was in the form of non-project aid.

A substantial part of this non-project aid amounting to £ 32.5 million (Rs 61.3 crores) came under the Kipping loan scheme which had been designed to

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conomic Times, October 14, 1974

finance the purchase of components, spare parts and raw materials by British subsidiaries and branches in India as well as by Indian companies using British equipment and components. These loans had to a great extent assisted in the expansion of the activities of British companies operating in India.

The total value of British private capital investments in India was, according to British statistics, more than £290 million (this did not include investments in the petroleum industry).

At present British companies comprised the largest number of subsidiaries and branches among all foreign companies in India. At the beginning of 1972-73 British companies had 148 subsidiaries in India (68.2 per cent of the total number of subsidiaries of foreign companies in India) with paid-up capital of Rs 179.77 crores (65.9 per cent of the total) and with assets of Rs 637.58 crores (59.1 per cent of the total).

British companies also led in the number of subsidiaries with 100 per cent foreign equity participation. There were 65 such subsidiaries at the beginning of 1972-73 (70.6 per cent of the total) with paid up capital of Rs 109.45 crores (48.0 per cent of the total) and with assets of Rs 718.10 crores (45.6 per cent of the total for all subsidiaries of f
companies in India with 100 pe
equity participation).*

British companies, as was show
recent review of the Reserve Ban
India, had the highest profit-inves
ratio among all foreign companies in
which made it possible for them to
during the period 1964-65—1969-70
than Rs 100 crores by way of dividen

Total annual earning on Britis
vestments in India, according to B
statistics, increased during 1967-1972
£ 18 million (Rs 34 crores) to £26 m

TABLE II

Indo-UK Trade : 1951-52—1973-74

(at post-devaluation rates)

	1951-52	1955-56	1960-61	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	197
I. Exports												
Rs crores	296.1	259.1	269.0	228.2	202.4	229.0	201.5	165.1	174.4	168.7	172.5	25
% to total Indian Exports	26.8	28.1	26.9	18.1	17.5	19.1	14.8	11.7	11.1	10.5	8.8	1
II. Imports												
Rs crores	255.8	272.2	342.2	235.0	165.5	162.7	127.5	102.6	126.8	216.9	225.5	24
% to total Indian Imports	18.5	26.6	19.3	10.7	8.0	8.1	6.7	6.5	7.8	12.0	12.7	
III. Balance (I—II)												
Rs crores	40.3	—13.1	—73.2	6.8	36.9	66.3	74.0	62.5	47.6	—48.2	—53.0	1

Source : "*Commerce*" Annual Number, 19
"*Eastern Economist*" Annual Number, 19
"Monthly Abstract of Statistics" October, 19

TABLE III
Profitability of UK Companies in India

	1964-65	1965-66	1966-67	1967-68	1968-69	1969-
I. Dividend remittances i. All foreign companies Rs mln.	203.0	194.2	225.6	264.7	265.2	299.
ii. UK companies Rs mln.	138.3	140.5	166.5	186.7	180.0	189.
II. Rate of return i. Subsidiaries all foreign companies %	6.6	5.5	6.2	6.8	6.2	6.
ii. Subsidiaries of UK companies %	6.6	6.0	7.1	7.6	6.9	6.

Source: "RBI Bulletin" June 197

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* "Directory of Foreign Collaboratio
India", Delhi, 1974.

crores) and their cumulative total is period reached £ 137 million 8 crores), while new investments in me period had not exceeded £ 53 n (Rs 100 crores).

itish companies also headed the list collaboration agreements approved e government of India during 1957- The total number of collabora- between Indian and British companies had exceeded 1100 during this period. This constituted just 25 per cent of the total number of foreign collaborations approved by the government of India. These collaborations, a majority of which were purely technical, also yielded sizeable profits to British companies.

Thus, from 1964-65 to 1969-70, the total amount of royalty remittances and remittances of technical fees from India to the UK was more than Rs 20.6 crores.

In the light of the above developments, it was safe to predict that in the next few years the upward trend in the development of Indo-UK economic relations would be maintained. New loans and credits would lead to the development of increased trade and more flexible policy towards the import of foreign capital and technical know-how.

TABLE IV

India's Place in UK Overseas Direct Investments and Earnings

(£ million)

	1967	1968	1969	1970	1971	1972	1967-72
1	2	3	4	5	6	7	8
Investments							
i. Total UK overseas direct investments (Net)	281	410	549	546	675	731	3192
UK direct investments in India (Net)	11	9	9	11	9	4	53
(2/1) %	3.9	2.2	1.6	2.0	1.3	0.5	1.7
Earnings							
i. Total UK overseas earnings	438	568	650	710	717	915	3998
UK earnings in India	18	20	21	28	24	26	137
(2/1) %	4.1	3.5	3.2	3.9	3.3	3.9	3.4
Earnings investment ratio (all UK investments) %	155.8	138.5	118.4	130.0	106.2	125.2	125.2
Earnings investments ratio (UK investments in India) %	163.6	222.2	233.3	254.5	266.7	650.0	258.5

Source: "Trade and Industry" June 13, 1974.

TABLE V

Royalty and Technical Fees Remittances from India

(Total 1964-65—1969-70) Rs million

Country	Royalty remittances	Remittances of technical fees	Total remittances (2+3)
1	2	3	4
All countries			
i. Subsidiaries and minority companies	214.0	251.4	465.4
2. Pure technical collaboration	71.4	32.5	103.9
3. Total	285.4	283.9	569.3
UK			
i. Subsidiaries and minority companies	83.3	98.4	181.7
2. Pure technical collaboration	18.5	6.6	25.1
3. Total	101.8	105.0	206.8

Source: "Survey of Foreign Financial and Technical Collaboration in Indian Industry—1964-1970" "RBI Bulletin", June 1974.

WINDOW ON THE WORLD

The oil "miracle" in the Gulf states—

London

Jossleyn Hennessy

I

Oman

Head of State and Premier H. M. Sultan Qaboos Bin Said
Exchange Rate 0.81 Riyals=£1
(£=U.S. $ 2.33)

RECENT INCREASES in oil revenues have transformed Oman, which until four years ago was living in the mediaeval era. Revenues from oil totalled $196 million in 1973 and earnings could reach $785 million this year.

The Sultan's aim is to use oil revenues to build an extensive network of economic and social infrastructure and to diversify the economy by developing agriculture, fishing and minerals in preparation for the day when Oman oil will be depleted. To this end, development advances rapidly and British firms have been especially active and successful in obtaining a good share of new contracts estimated to exceed some £100 million.

Oil dominates the economy and revenues from oil accounted for more than 95 per cent of the country's national income of OR220 million in the 1974 budget. Despite its importance, oil has been a relatively new addition to the economy: large-scale production started only in 1967 with an average of 2.8 million metric tons per annum. Since then, production has increased rapidly until it reached a peak in 1970 with a total of 16.5 million metric tons. Because of difficulties with reservoir pressures, there has been a decline subsequently with annual production running between 14-15 million metric tons. It was recently announced, however, that this would be raised to about 18.9 million metric tons by early 1975, partly as a result of the discovery last year of the Ghaka field by Petroleum Development (Oman) Limited. By September, 1976, production could reach as much as 21.3 million metric tons annually. In July the government signed an agreement giving the state a 60 per cent interest in the country's oil production.

The agricultural potential of Oman is considerable. A vast area of cultivable land is available, provided water can be brought to it, and the Government has been carrying out a comprehensive survey of water resources.

In the meantime, agricultural policy is being concentrated on improving the existing farm system. Under the guidance of a number of government farms (with a network of service centres throughout the country), farmers are advised on improved methods of cultivation and assisted with subsidies to buy fertilisers and high-yielding seeds. Cereal crops, principally wheat and lucern, are grown for the domestic market, whilst dates, limes, pomegranates and tobacco are the chief export crops. Cattle breeding is extensively practised in the fertile southern regions of Dhofar, and the Oman camel, highly valued throughout Arabia, is bred in all parts of the country.

The coastal waters of the Gulf of Oman and seas off Dhofar are some of
the richest fishing grounds in the wo
Methods are still relatively unsophist
ted but the government has commissic
a survey on fishery development
marketing prospects for a large proces
factory,

mineral deposits

Mineral deposits are known to e
and earlier this year substantial rese
of minerals, including copper,
discovered. Lead, zinc, iron, chr
and marnesite were found and prosp
ing continues. In addition, it has
recently announced that contracts w
$500 million have been awarded for
development of natural gas resources.

In view of the massive earnings f
oil flowing into the state treasury
new government planning organisa
was set up in 1973 called the Organisat
for General Development, which
overall responsibility for the Centre
Economic Planning and Developm
(including national planning and st
tics), the Department of Commerce
Industry, the Department of Agricul
and Water Resources and the Dep
ment of Municipal Affairs, which inclu
town planning.

Spectacular progress has been m
in health and educational, particul
in hospitals and schools built since 197

The bulk of spending however,
been on infrastructure projects, includ
an eight-berth port costing £22 milli
a new international airport and an
tensive network of paved roads includ
316 kilometres along the coast, which
to be completed this year. Electric
and mains water supply have been int
duced to most houses in the coastal ca
tal area. Until 1967, Oman's trade w
countries other than Britain was ne
gible; however, in parallel with
growing export of oil, foreign trade
risen sharply. The various developm
projects now being carried out h
resulted in a rapid expansion in impor
and as the money from the oil reven
has reached the general population, th
has been a sharp rise in consumer goo
Imports in 1973 are estimated to h
amounted to OR40.7 million, an incre
of 117 per cent over the previous yea

figure (OR18.7 million). Non-oil exports were OR609,000 in 1973, almost double the 1972 figure of OR 395,000.

Oman has been successful in diversifying its markets, and since 1972 the Gulf states have replaced Britain as its principal suppliers. Imports from the Gulf states in 1973 totalled OR10.1 million, while Britain supplied goods worth OR7.7 million. The Netherlands increased its exports by a spectacular 350 per cent to reach OR3.5 million in 1973, closely followed by Japan and West Germany. Other trading partners include Australia, India and Pakistan. The United States and China are newcomers to Oman's market. Oman's exports, apart from oil, are mostly agricultural and are sold to neighbouring states in the Gulf and to India.

II

Qatar

Amir H.H. Sheikh Khalifa Bin Hamad
Al-Thani
Exchange Rate 9.26 Riyals=£1
(£1=U.S. $2.33)

Since coming to power in February, 1972, Sheikh Khalifa has followed a vigorous programme of political and economic development. A policy of friendly relations with other Arab nations, especially those in the Gulf region, has been pursued and the state has joined the International Monetary Fund, the International Bank for Reconstruction and Development, and the Arab International Bank for Trade Development. GNP reportedly rose by 37 per cent last year, and an even faster rate of growth is anticipated this year.

However, inflation continues a problem and, in an attempt to stem the rise in the cost of living, rents and the prices of various foods have been frozen (Someone ought to tell the Amir that price freezes do not halt the trend of prices but merely create shortages of supply). A new currency was introduced in 1973, the Qatar Riyal replacing the Qatar/Dhubai Riyal.

Economic policy aims to modernise the country, raise the standard of living and diversify the economy by developing industry. Efforts in recent years have concentrated on building up the comparatively under-developed infrastructure: communications are being improved, plans have been drawn up for a new airport outside Doha, an earth satellite station is to be constructed, Doha seaport is to be expanded, and 175 kilometres of roads are being built. A ten-year development plan was drawn up in 1972, covering housing, education, health, communications and industry, and a two-year implementation project has been launched. The plan provides for expenditure over 1972-1982 of QR10,000 million, but this figure is likely to be substantially revised upwards as a result of the recent increases in oil revenues. Priorities are reflected in the 1974-75 budget. Some QR616 million is to be spent on development projects, 72 per cent more than in 1973-74. Housing, electricity and water have been allocated QR182 million, transport, agriculture and industry QR181 million and social services QR102 million.

Oil is the most important industry and source of income, accounting for well over 90 per cent of total government revenues. Proved reserves of oil are at present estimated at 800 million metric tons, and it is likely that new finds will be made. Despite politically motivated production cuts in the last quarter, the output of oil in 1973 totalled 27.5 million metric tons, compared with 23.3 million tons in 1972.

However, revenues have been rising at an ever faster rate and, following the quadrupling of posted prices last year, it was forecast that oil receipts would increase from around $397 million in 1973 to reach $1,391 million this year. The state's income from oil should further benefit from a participation agreement concluded in February, whereby the government obtained a 60 per cent share in the operation of the two major oil companies producing in Qatar. Further negotiations led to agreement on a buy-back price (the price at which the companies agreed to purchase the state's share of oil) equivalent to 93 per cent of the posted price for crude oil. It has been recently reported that the government does not intend to raise production above the current level in order to conserve reserves.

new organisation

A new organisation, the Qatar Corporation, has been established, which will handle all the state's oil interests and be responsible for exploration, marketing and other aspects of the industry. The Qatar Gas Company has also been formed to develop the substantial natural gas reserves, estimated at 250,000 million cubic metres. A £25 million liquefied natural gas (LNG) plant with a capacity of 800,000 tons of LNG a year, is nearing completion. The LNG surplus to domestic requirements is to be exported to Japan.

Although agricultural output overall is insufficient to meet domestic needs (foo accounts for 17 per cent of the value o imports), substantial improvements hav been made and the country is now mor than self-sufficient in vegetables. Wate and land resources are sufficient for output to be expanded substantially and a five-year plan is on the way; self-sufficiency is the eventual target. Since the establishment of the Qatar National Fishing Company in 1966, shrimping has become a major industry with modern trawlers and refrigeration and processing equipment.

An ambitious programme of Industrial development has been launched, but i will be some considerable time before industry contributes significantly to national income. Cement is one of the most important non-oil industries; output has recently been doubled to 600 tons a day to meet the demand created by the construction boom. A fertiliser plant, run on natural gas, was opened last year and a flour mill, completed in 1972, is now producing sufficient to meet domestic needs. A $150 million iron and steel complex is to be built in the Umm Said industrial area, but most of the industrial projects already planned are based on the country's hydrocarbon resources. They include a refinery with a capacity of about 10 million metric tons a year and a £900 million petro-chemical plant producing ethylene and polyethylene.

healthy economy

The healthy state of the economy is reflected in the overseas trade accounts. In 1973, imports increased by almost 30 per cent to reach an estimated QR778 million, more than three times the value of imports in 1969, but accounting fo less than half of the value of oil revenues. Industrialisation has had an impac on the composition of imports, some 25 per cent of which now consist o industrial machinery and equipment.

Imports of construction materials, some QR13.5 million in 1973, are also expected to increase rapidly as the massive expansion of the construction industry planned over the next twenty years take place. Domestic prosperity is best show by the apparently insatiable demand from the 170,000 population for a wid variety of consumer goods and foodstuffs.

Britain, Qatar's principal supplier, provided 28 per cent of total imports i 1973 followed by Japan and the Unite States with 11 per cent. In order t assist the development of entrepot trade Doha was made a free zone in 1972, an an increasing amount of imports ar being re-exported to other countries in the region. Domestically produced non-oil exports are small, exports and re-exports totalling only QR67 million last year. However, as local industry gets under way a growth in industrial exports can be expected.

III

Kuwait

Amir H. H. Sheikh Sabah Al-Salim
Al-Sabah
Exchange Rate 0.68 Dinars=£1
(£1=U.S. 2.33)

Developments in oil have predominated during the past twelve months. Although production fell by almost 9 per cent last year to 138.3 million metric tons, Kuwait maintained its position as the third largest oil producer in west Asia, with around 12 per cent of the area's total output. Present reserves are estimated at some 8,800 million metric tons. This year participation agreements, giving the state a 60 per cent share of oil production, have been concluded with the Arabian Oil Company (Japan) which operates in the Partitioned Zone where Kuwait and Saudi Arabia have equal interests.

In September, the government and KOC reached an agreement covering the amount of oil which the company would buy back from the state. In the past three months the government, reportedly, has reduced oil production in order to conserve reserves and maintain prices.

international reserves

In view of these developments, it is difficult to estimate future oil revenues. However, it is likely that this year they will amount to some $7,000/$8,000 million, compared with around $2,000 million in 1973. This increase has already had an appreciable effect on international reserves, which rose from $501 million at the end of last year to $938 million by the end of August. The impact of oil revenues has also been seen in the record state budget for 1974-75 approved in July.

This showed a 69 per cent rise in revenues to KD959.9 million, 96 per cent of which is to come from royalties paid by oil companies and taxes on oil. Increased allocations have been made for ordinary xpenditure (KD394 million) and for evelopment projects and the acquisition f property (KD180 million). Nevertheless his still leaves some KD389.4 million to be transferred to the General Reserve Fund.

The main increases in ordinary expenditure are on education and public health, which are to receive KD31.4 million respectively. Some KD39.4 million is allocated for defence. The major items of development expenditure are public works (KD48.8 million) and electricity and water (KD50.6 million). A large part of the expenditure on public works is to take the form of health projects, including four new hospitals and two new medical centres.

Rising oil revenues have also provided Kuwait with the means to expand its industrial base and extend financial aid to other countries. One of the major industries is the Kuwait Chemical Fertiliser Company (KCFC), which produced some 760,000 tons of urea and ammonia sulphate last year, exported mainly to China, India, Sudan and Pakistan. Production this year is expected to increase by 10/15 per cent.

cement, steel industries

A cement plant with an annual capacity of 300,000 tons began production in March, 1973; a second plant with a capacity of 750,000 tons a year is planned. A metal industry is also developing and in August it was announced that Kuwait, Bahrain and the United Arab Emirates were to participate in a KD15 million company, based in Kuwait, which would produce iron and steel in the Gulf area.

Among other major industrial projects planned are a $300 million petrochemical complex and the expansion of the Ahuaiba industrial estate, which will include the provision of shipping facilities to meet the anticipated growth in exports and the construction of a small dry dock. Flour and asbestos are other important industries. Infrastructural facilities are being expanded in line with industrial development, and in August contracts totalling KD 70 million were awarded for the construction of two power stations. Kuwait has the largest tonnage of oil tankers in west Asia (796,000 tons) and a further 1,195,000 tons are on order. It is also planned to expand the merchant fishing fleets.

The Kuwait Fund for Arab Economic Development (established in 1961) has been an important source of aid for other Arab nations. In the first nine months of this year it provided loans totalling over KD30 million to Egypt, Tunisia, Syria and South Yemen. Its capital has recently been raised to KD1,000 million and its scope widened to include non-Arab developing nations. It is estimated that some $2,000 million of oil revenues are likely to be re-cycled in the form of aid to Africa and Arab nations this year, and a large part of the remainder will be invested in Europe and the United States.

In September, it was announced that a Higher Council for Oil would formulate investment policies for oil revenues.

Total Trade (In millions of dinars)

	Exports	Imports	Balance
1967	484.4	184.1	300.3
1972	981.3	228.0	753.3
1973	1,129.8	270.1	859.7

The value of exports rose by 15 per cent last year to KD1,129.8 million (92 per cent of which was oil), and imports by 18 per cent to KD270.1 million. The UK accounted for 15 per cent of total exports and 10 percent of imports. As industrial development gathers pace, imports of consumer and capital goods are likely to increase substantially; prospects for the construction industry are particularly bright. With the boom in oil revenues, last year's trade surplus of KD859.7 million is likely to be far exceeded this year.

Nevertheless, Kuwait has its problems. A prolonged border dispute clouds relations with Iraq, although by the beginning of this year the situation was showing some improvement. There is potential internal friction in the substantial difference in status between Kuwaiti nationals and immigrants, who come mainly from Palestine, Iraq, Syrian and Egypt and who comprise some 57 per cent of the total population of 876,000. Inflation (13 per cent last year) is also causing concern; government measures to combat the rise in prices have included increases in the salaries of public employees and the exemption of most foodstuffs from import duties.

Sources and acknowledgements: This is the first of two articles summarising reports on the fantastic developments in the Gulf states, following the Arabian "oil miracle" issued by the Barclays Bank Group Economic Intelligence Unit (54 Lombard Street, London E.C. 3P:3AH), but the EIU is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources. Next week's concluding article will cover Bahrain and the seven United Arab Emirates.

nto new year with gloom

E.B. Brook
Vienna

ST EUROPE has begun its new r moodily. Its press regales the public h a series of sad tales—the wobbly ce of gold, even more wobbly dollars l pounds surviving crises with the aid the increasingly strained Deutschmark, stige car firms closing, going on short ne or laying off staff—and spicing the ary mixture with a series of hate-carons of the Arabs and hints of a US per-force seizure of Gulf oil fields in crudest spirit of the 1956 Suez occution. The Germans are as bad in this itude as the Americans or the British. e whole consorts extremely ill with the npetitive rush by European firms for ooperation deals" with Saudi Arabia d the oil Seikhdoms and the willingness prestige European firms such as Krupps d Mercedes Benz in West Germany, chard Costain in Britain and some wellown names in the USA to accept up to per cent Arab capital with or without ting rights.

ncomfortable thoughts

Both the Europeans and the Americans e uncomfortably aware that it is now arly 18 months since the oil producers rough their organisation OPEC signifintly raised the price of crude oil and aced a temporary embargo on suppes to Holland and that in the meantime ey have done nothing significant about ther the continuous price increases or ry much about their own resultant proems. Their governments are also periving that their populations—and elecrs—are keenly aware of this also and at it is they, through the climbing pris for all commodities, shrinkling work id earning opportunities and less worthl money, who are collecting all the ost uncomfortable results of the overm of world economics so easily brought out by people previously all too comrtably taken for granted.

It has taken a long time for the repudly shrewdest trading nations to realise at this economic overturn requires not nly negotiation but a changed life-style. he Europeans' fat years are over for the reseeable future and they adapt to aner times, with less luxury and less avel, with markedly ill grace. The absorpon of major Arab investment may be egarded as a version of the old principle "If you can't beat them, join them" ut governments are acutely aware of ublic sensitivity to major parts of their ore worthwhile national undertakings eing sold to oil-producers merely in order to get some oil purchase money back. So far, Europe's success story state, West Germany, has done nothing much more than absorb Arab and Iranian money in this way; the British have joined them in pushing their banking services in west Asia but it has been left to the French and the Italians to lead the way in attempting a major export drive.

export programmes

The basic French idea in handling oil prices is to build up massive, long-term export programmes. Four recent French missions to oil-producing countries—led respectively by the prime minister, the Foreign minister and the Interior minister, have developed the base from which France intends to operate in this year's crucial oil diplomacy. *Le Monde* has called it a "policy of payments". The French are convinced that the American idea that it should be possible to drive oil prices down is illusory.

The French prefer Arab and Iranian orders to their investments. The deals they have arranged—some yet to be brought to the contractual stage—are worth more than 13 billion dollars and would be worth 3 billion dollars a year to French industry or, as *Le Monde* remarks, "100 days' worth of oil imports". The deals would also give a fillip to those French industries such as engineering, construction and automobiles which are threatened with contraction. French agriculture would also benefit from the orders from Iran. France has sold Iran its colour television system SECAM, two nuclear energy plants and an underground construction for its capital as well as trains, a fleet of ships to carry liquefied gas and a car factory. There are howevor criticisms of this success story.

The Italians, benefitting by about 624 million dollars from the Common Market's Regional Fund, are planning a more old-fashioned remedy—cutting down on imports and concentrating effort on boosting exports by selling more cheaply within the Market area where anything with a lower price will be very welcome. Italy is also benefitting from its earlier cooperation with Iran in exploiting its oil and it has been included in the Iranian hand-out of massive orders for industrial material.

For the more prosperous West Germans, uncommonly nervous of both inflation and unemployment, the way ahead will be more cautious. The prime need is a continuance of peace at home; there are covert hints that the present coalition of the Socialists with the small Liberal party with a narrow majority in parliament may give way this year to a "big coalition", as in Adenauer's days, between the Socialists and the conservative Christian Democrates. Even with peace on the home front, the German problem, as described this week by the Dresdner Bank, will be to find in the next five years enough cash to cover its huge requirements for industrial investment. West Germany, to keep up its social prosperity, needs an annual growth in real social product of between 3½ and 4 per cent. With the shadow of continuous price increase during 1975 of up to 7 per cent the strain on investment capital to produce enough growth to finance the domestic spender will require an extra earning of up to 2 billion marks.

recycling funds

While the Finance ministers of the 10 leading industrial nations meet in Washington in mid-January to study further the "recycling" of Arab funds to the west, which expects a 65-billion dollar deficit on oil this year, their governments are revising the rules under which they permit foreign investment. The Arab and Iranian oil earnings are more than welcome in west Europe but public worry about foreign ownership or foreign buying into defence industries is so marked that almost everywhere controls over outside investment are being re-read and, where necessary, made firmer and more precise. Iran and Kuwait have already been refused permission to buy sizeable blocks of shares in two leading defence contractors in the USA. West Asian money is welcome in Coca-Cola but not in nuclear armaments. OPEC itself realizes that investments attractive to the buyer, may be sensitive areas to the seller. The subjec of investing "re-cycled" money will be one of the key issues at the conference of oil-producer and consumer nations that may begin in March. At present Japan is the most restrictive area for the foreign investor—with 30 per cent as a maximum holding—Britain and France are uncomfortable about even a 20 per cent share but permit more, Italy is flexible and the Belgians and Dutch have administrative machinery to block foreign ievestors. West Germany has only notification precautions and it is in Bonn that most work is being done to make German investments more exclusive.

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Lawrence Road	45	2-12-1974	15-1-1975
Sunlight	14	2-12-1974	15-1-1975
Naraina	6	2-12-1974	15-1-1975
II			
Rajouri Garden	150	1-2-1975	15-3-1975
Prasad Nagar	231	1-2-1975	15-3-1975
Rehgarpura	14	1-2-1975	15-3-1975
Kalkaji	600	1-3-1975	15-4-1975
MIDDLE INCOME GROUP			
Rajouri Garden	64	2-12-1974	15-1-1975
Pankha Road	160	2-12-1974	15-1-1975
II			
Pankha Road	348	1-2-1975	15-3-1975
Malviya Nagar	12	1-3-1975	15-4-1975
East of Kailash	82	1-3-1975	15-4-1975
Munirka	200	1-3-1975	15-4-1975
OTHER GROUP			
(FOR REGISTERED RETIRING PUBLIC SERVANTS)			
LOW INCOME GROUP			
Rajouri Garden (Category-B)	149	1-3-1975	15-4-1975
MIDDLE INCOME GROUP			
Sheikh Sarai (Category-C)	88	1-3-1975	15-4-1975

About Plots:

The allotment of plots will be made by draw of lots. The income limit for the Low Income Group is upto Rs. 7,200/- a for the Middle Income Group, it is between Rs. 7,201/- and Rs. 18,000/-. Those who do not own any other plot or house in t Union Territory of Delhi and have been continuously residing in Delhi, for the past five years would be eligible. 15% of plots each category are reserved for the Scheduled Castes/Scheduled Tribes. There are certain reservations for other categories as well a the details in this regard are given in the application form.

Application forms and detailed particulars for plots can be had for Rs. 3/- from the Forms Sales Counter of Delhi Dev lopment Authority, Vikas Bhawan, Indraprastha Estate, New Delhi on any working day from 10.30 a.m. to 1 p.m. and from 2 p. to 3.30 p m. from December 16, 1974 onwards. The applications would be received from December 23, 1974. The last date f receipt of applications for plots will be February 15, 1975.

About Flats:

So far as the flats are concerned, these have been offered only to the registered persons, applications for which should made only by such persons. If, however, the number of registered persons applying for flats is less than the number of flats ava able in a particular locality, requests of unregistered persons would also be considered as and when announced.

NT AUTHORITY

ts at Reserve Rates

To the Weaker Sections

Scheme	PLOTS No. of plots offered	Category MIG	LIG
East of Kailash Phase I & II. (Suraj Parbat)	32	21	11
Jhilmila Phase I	3	2	1
Malviya Nagar Extn.	141	100	41
Masjid Moth	1	1	—
Naraina	67	54	13
Najafgarh Road	1	—	1
Pankha Road	125	74	51
Paschimpuri	419	378	41
Safdarjang	3	3	—
Wazirpur Phase I	16	12	4
Wazirpur Phase II	97	—	97
Wazirpur Phase III	13	13	—
Bodella	1000	300	700

15% of flats in each category are reserved for Scheduled Castes/Scheduled Tribes. There are certain reservations for other categories. The details in this regard are given in the brochure/application forms.

In the case of Harijans another concession that has now been extended is that at the time of taking over possession the amount to be paid towards initial deposit by the Harijan Allottees will be Rs. 1500/- less in respect of Janta and Low Income Categories.

Before making an application for the allotment of a plot, the applicants should make sure that he or she fulfils any one of the conditions given below as regards the conditions of five years' continuous stay in Delhi :—

(1) The Govt. servants including army personnel working outside Delhi may apply under the scheme if they have declared Delhi as their Home Town in the service records five years before the last date of receipt of applications.

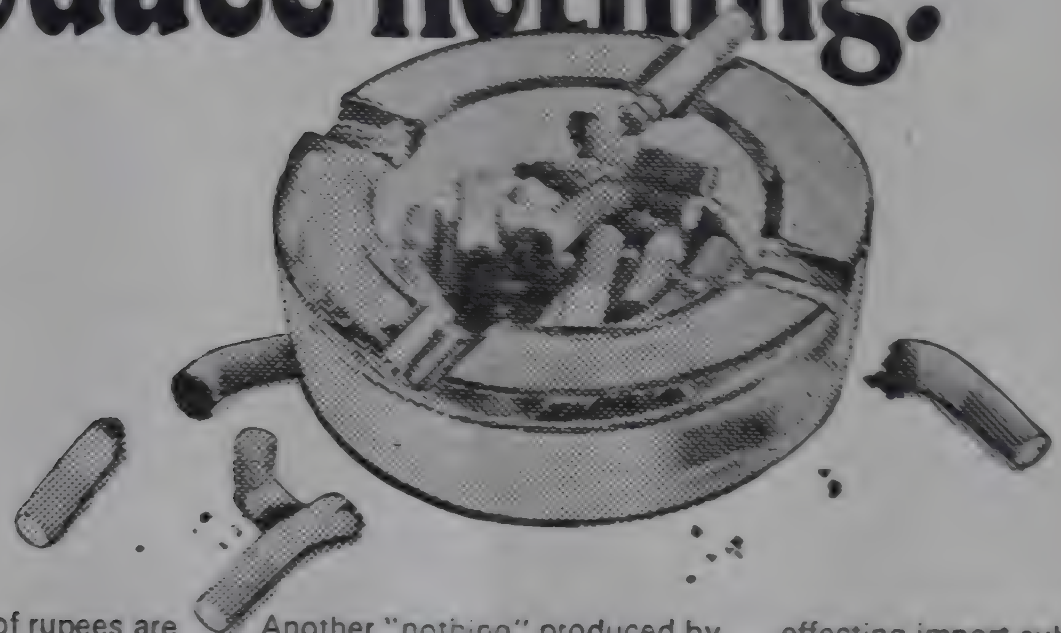
(2) Any person working outside Delhi may apply under the scheme if his family has been continuously stationed at Delhi for the last five years preceding the last date of receipt of applications.

Issued by P.RM. D.D.A.

Advt. No. 129-H/74-75.

(JAGMOHAN)
Vice-Chairman
Delhi Development Authority

Escorts Limited. Show cause why so much money is being spent to produce nothing.



Every year, lakhs of rupees are being spent in return for which the company has nothing to show. Nothing !

Except ideas.

A lot of time and money have gone into this ideas generator—Research and Development. Has it been worth it all ?

Looking back : In 1969, R & D came out with a brainwave : the idea of using the tractor as more than just a tractor. Today, as a result, Escorts' YELLOWLINE equipment is providing users with an inexpensive substitute for hitherto imported machinery. Thus helping to ease the import bill on this account.

Another "nothing" produced by R & D was the RAJDOOT GTS, the famous 'Bobby bike', in which the import content has almost touched zero. There are many more feathers in R & D's cap—including a range of special purpose farm implements in which field Escorts is a pioneer and a leader.

In Escorts, 2 out of every 3 people employed are doing another kind of nothing — Quality Control — in order to maintain the very highest standards.

And so R & D goes on. Researching and designing new products. Developing new ways of keeping costs down and production up. Increasingly effecting import substitution towards total self-reliance.

In October 1974, Escorts completed its 30th anniversary. And the people of Escorts are making it an occasion to turn the searchlight inwards. To ask themselves some searching questions. Like : has the time and money on R & D been well spent?

And the answer we receive from all around is encouraging. Come on, Escorts. Produce some more "nothing" for us !

30 years. Our investment for the future.

HT.ELP.3634

MOVING FINGER

ast wrote this column)ctober 11. Normally it would not been possible for Moving Finger to re- ure promptly the ferocious fluency h some of my correspondents seem gard as the only virtue it may possibly ss. Mr Inder Gujral, however, ome to its help. In the name of an national Film Festival he has inflic- on our country an odious outrage h is absolutely unnecessary and al- her avoidable. Granted that it is sement bargain, it is still such a sleazy -soiled piece that even his smart- salesmanship has failed to make h of it.

ny one less brash than our minister Information and Broadcasting ld have paused to ask himself t title our country has to stage an rnational Film Festival. After all, ave not been able to maintain even a onably free market for the products he film industries of other countries. for our export of Indian films, it is ely yet another exercise on the part ur nationals in international smuggl- or black marketing. The bulk of film production is such that it only her vulgarizes the masses. There is e in any part of our cultural life ch the film-folk of Bombay or Madras e not touched without defiling. I am saying that all our film-makers are h; that would be patently absurd, but exceptions only emphasize the fact t the Indian film world must become ch better and freer than it is before it es go anywhere near hosting an In- national Film Festival with any sense self-respect. As it is, when more than international event scheduled to be d in our country has been cancelled postponed, Mr Gujral has got away h his cheap ego trip.

I suppose that it has not cost him ny nights' sleep that, in the process, has created a situation in which the ian capital and its denizens have been en unlimited opportunities for exhibit- themselves in the worst possible light. ck marketing in cinema tickets has ays been one of the more persevering fessions in major Indian cities and hi's record in this respect is perhaps only less unwholesome than Bombay's. Distributors, exhibitors and their sickly legions of tricksters and touts have always been quick to turn a fistful of dishonest pennies and the way the minister's minions have managed to mismanage this festival business has made it possible for these sharks to indulge their blood lust to the utmost. Hardly less disgusting has been the slavering response of thousands of middle-aged or even more elderly men and women from Delhi's middle-class households to the opportunity Mr Inder Gujral has given them of tasting the vicarious pleasures of celluloid pornography.

If some of us choose to have fun by burning an effigy of Ravana on ceremonial occasions, I just do not see why others may not similarly attempt to amuse themselves by burning an effigy of Rama. It is philosophically true that nothing in this world is wholly good or wholly evil. Rama is as much a concept of man's mind as Ravana and we human beings are notoriously prone to create gods or, for that matter, demons, in our own image. If Ravana's effigy is burnt periodically because this mythological creature was supposed to have been or done something which we do not happen to approve of, is it not a good enough reason for some of us who may believe that there is another side to the story to carry out compensatory or even retributory incendiarism? Seriously, I believe that it is not merely objectionable but obscene to burn effigies of bygone legendary figures as an act of spiritual vindication or moral assertion. Past personalities, whether fictional or real, are best left to rest in peace. There is no point in symbolically resurrecting and cremating them again and again, for this is no way of exorcising such evil as there may be in the individual or the collective heart. If we must burn effigies at all, let us rather burn effigies of living persons whose public conduct or public career we believe we must object to. This way we could work off our aggression without causing any physical or other real harm to those public figures who happen to arouse our displeasure or resentment. It would be best of course if we do not burn effigies at all. We should after all start saving fuel some time. Why should we not make a beginning with this effigy business?

The DMK activists, who burnt the effigies of Rama, Sita and Lakshmana in Madras recently, were of course not prompted by philosophical reflections. They were simply acting out their peculiar brand of cultural fantasy—an issue of non-existing Dravidians against equally imaginary Aryans. The less simple-minded among them, however, are only too mindful of the political possibilities of such symbolic exercises. Ravana versus Rama is in other words a matter of personifying the south versus north syndrome. I personally do not believe that the DMK can make much political capital out of it, but I would be happy indeed if the burning of the effigy of Rama in Madras were to lead to Ramleela being celebrated this year in Delhi without the easily dispensable ritual of burning the effigy of Ravana. In any case the prime minister at least could use her influence to see that the annual fire-show on the Ramleela grounds is not organized or gone through as an official or semi-official function.

I recently read some- where Mrs Indira Gandhi being quoted as saying that "my father's sensitivity made him abhor all show and ostentation". I do not want to contest this observation so far as Jawaharlal Nehru's way of living or personal habits were concerned although I must say that I always felt that his practice of sporting a red rose had to do with something else than a simple love of things beautiful in Nature. However, in the public context of his prime ministership, Jawaharlal Nehru certainly did not act as if he had no use for ostentation. On the contrary, his proneness to giganticism in the public sector was essentially as ostentatious as, let me say, the wearing of a mink coat by a tycoon's girl friend. It could also be suggested that there was always a lot that was ostentatious in the manner in which he conceived or carried out this country's foreign policy during most of his prime ministership. It seems to me that ostentation is not simply a matter of having half-a-dozen palatial houses in different parts of the country or keeping a dozen big cars in the garage. In fact the ostentation often seen in the policy-making or public conduct of political leaders could be a bigger drain on a nation's material and moral resources than the conspicuous consumption of multi - millionaire individuals.

VB

TRADE WINDS

Indian Trade Team in West Asia

A SEVEN member Indian Industrial Delegation sponsored by the Federation of Indian Chambers of Commerce and Industry, with the active support of the government, and led by its President, Mr. K. K. Birla, visited Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates beginning January 11, 1975. The objectives of the delegation were to establish contacts and liaison with commercial organisations and business men in West Asia; to investigate the possibilities of setting up joint ventures and promotion of two-way trade; to foster other forms of techno-economic cooperation; and to assess the need for setting up Business Cooperation Committees with some countries in West Asia.

Besides Mr. Birla, the delegation consisted of Mr. D. Jayavarthanavelu, Managing Director, Lakshmi Machine Works Ltd., Mr. D. N. Patodia, Director, Hindustan Dealers Ltd, Mr Pratap Bhogilal, President, Shree Ram Mills Ltd; Mr Ameer Ali Rahimtula, Vice-Chairman, El-Sharikah El-Hindiyah El-Arabiah; Mr K. V. Srinivasan, Director, Standard Motor Products of India Ltd; and Dr Ram Gopal Agrawal, Secretary (Econ.) of FICCI.

Woollen Capacity

The government has decided to allow additional capacity in the woollen industry in order to raise the export capacity. All priority units in the woollen industry could instal an additional 1,200 worsted spindles and 20 powerlooms. This was announced recently by the union minister for Commerce, Prof. D.P. Chattopadhyaya, while inaugurating the first meeting of the development council for woollen industry. He also announced that the government has approved an increase in the combing capacity of the order of 26 million lbs. The minister noted that the industry faced the problem of getting adequate and regular supply of raw material.

Insurance for Government Employees

The union government announced recently a provident-fund deposit linked insurance scheme for its employees. In the event of the death of an employee while in service, his family will be paid an additional amount equal to the average balance in his account during the past three years. The insurance cover available in the event of the death of the employee is being provided without any payment of premium. It will cover 2.9 million employees including those in the railways and defence establishments. According to the Finance ministry announcement another purpose of the scheme was to provide an incentive to government employees to save more through subscription to the provident fund. It is understood that because of the price rise, government servants have been withdrawing from their provident funds on various pretexts to meet their growing daily expenditure. The announcement states that the family of a government employee who dies in harness on or after January 8, 1975, will be sanctioned an additional amount equal to the average balance in the account of the government servant in the Fund during the three years immediately proceeding death, provided the balance in his account had not fallen below the following limits at any time in the three preceding years: Rs 3,000 for Class I, Rs 2,500 for Class II Rs 1,500 ,for class III, and Rs 1,000 for class IV. The upper limit up to which the benefit of insurance cover will be available will be Rs 10,000 and amounts in excess of it will be disregarded for the purpose of the extra benefit.

IDA Credit for Dairy Development

Over three million people in India's rural areas will benefit from the rural and dairy development projects which will be financed by credits totalling $79.1 million from the International Development Association (IDA), an affiliate of the World Bank. A credit of $35 million will help India to increase and stabilize agricultural production in six drought-prone districts in four states—Andhra Pradesh, Karnataka, Maharashtra and Rajasthan. The $103 million project, when completed in 1980, will help to increase the income of over one million people, most of whom belong to the poorest segments of the population. Average annual income gains resulting from the project will range from $12.5 to $500. Annual crop production will increase by 58,000 tons, principally of foodgrains. About 85,000 man-years of short-term and 20,000 man-years of full time employment will be generated.

Two other IDA credits totalling $44.1 million will finance dairy development projects in the states of Madhya Pradesh and Rajasthan. The projects will bring major benefits. Some 400,000 farming households, or about 2.2 million people, in the two states will be able to increase their cash incomes and living standards. Most of these farm less than two hectares or are landless. Milk production will be increased by about 760,000
tons a year, leading to a
stantial improvement i
trition. In addition,
project will provide
employment to some 1
people in the two states.
IDA credits to the g
ment of India are for a te
50 years, including a 1
grace period, and are in
free except for a service c
of 3/4 of one per cent to
IDA's administrative cos

Loan to Mauritius

India has agreed to
to Mauritius a Rs 5-
loan repayable over a p
of 15 years. It has also a
to extend Rs 10 crores as
mercial credit. An agre
for the Rs 5-crore loan
signed recently by the Fi
minister Mr C. Subram
and the Mauritius mi
of Economic Planning
Development, Mr
Jagatsingh. According
agreement the Rs 5-crore
will carry an interest o
per cent. It provides for
years of grace period. O
total loan amount, R
crores is already committ
a number of projects tha
been identified by the
countries in their r
meetings. The remaining
crores would provide M
tius an element of flexi
to take up projects whic
in the process of
identified. Mr Jagat
added that the comm
credit offered by
would be utilised for the
chase of transport equip
heavy engineering goods
power generating sets.
list includes requiremen
both government and p
sector projects. Apart
these two credits, India
also agreed to provide a
ance to Mauritius in c
other projects. The
amount of assistance offe
Mauritius works out to a
Rs 17.5 crores. Ther
nearly 12 joint projec
Mauritius, mostly with p
Indian collaboration.
include a hotel project
cement plant, a textile
steel rolling mill and a r
unit. Besides these pro
Mauritius has also shown
interest in the setting

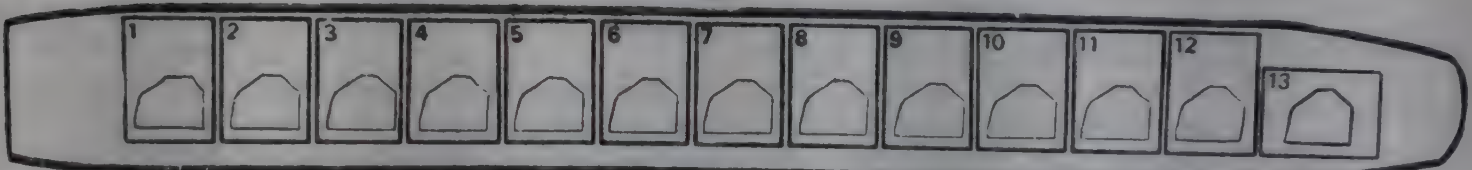
Back with a bigger appetite for cargo.

- **76 tonnes, instead of 60, on our twice-weekly all-cargo services.**
- **Plus new all-cargo service to Hong Kong and Tokyo every week.**

• Ex Bombay

Our 38 regular weekly flights, with a total cargo capacity of 290 tonnes, are back again. Besides, we are increasing the space on our all-cargo services by over 25% and extending it right up to the Far East once a week.

Effective April 2, 1975



13 pallets, instead of 10, to increase the capacity by 8 tonnes from April 2.

AIR-INDIA CARGO

HT-AI.8185 (A)

a flourmill in that country with Indian cooperation.

Buses for Zanzibar

Ashok Leyland has announced that it has secured an export order worth Rs 28 lakhs, for the supply of 20 buses to Zanzibar, Republic of Tanzania. The Republic of Tanzania is the third African country which has recently decided to order for Ashok Leyland buses. This order closely follows two other such orders from Zaire and Zambia. It may be recalled that the order from Zaire was one of the biggest ever export orders for an Indian manufacturer, worth Rs 10 crores. The agreement with the Republic was recently signed at Madras. On an invitation from Ashok Leyland, a team from Zanzibar visited Ashok Leyland. The team was headed by Col. Ramadhan Haji, Chairman of the Import and Export Committee, which included Mr Dourado, Attorney-General and Mr Amour Khamis, an Engineer. Mr A.D. Hassan, the High Commissioner for the Republic of Tanzania in India, accompanied the delegation. The team, which spent a whole day visiting the plant and various sections of the Company, was impressed by the giant nature of the organisation and its emphasis on high quality products. While signing the agreement for 20 buses, based on 210" and 176" WB 'Comet' chassis, the leader of the team stated that he expected this initial order to be the start of a continuous and long term association with Ashok Leyland and that he felt sure that once these buses started operating on the roads of Zanzibar, requests for more buses would follow.

Credit for Sugar

The Indian Sugar Mills Association has expressed serious concern over the Reserve Bank's directives to all the nationalised commercial banks restricting credit availability to the sugar factories during the current season 1974-75 to the extent of outstandings in the previous seasons 1972-73 or 1973-74.

The Association has regretted that the entire approach of the Reserve Bank to this matter is totally unrealistic and does not take into account the actual needs of the situation. When the costs have increased substantially with sharp increase in the cane prices and other cost escalations following inflationery pressures on the economy, the sugar factories would find it hard to operate within the limits allowed to them during the previous seasons.

In a communication to the Reserve Bank the Association has stated that in the larger interest of cane growers and for maintenance of sugar production it is essential that adequate credit is made available to the sugar factories enabling them to maintain timely and regular cane payments. During the last season 1973-74 considerable difficulties were faced by sugar mills in maintaining timely cane payments in the absence of adequate bank credit which fell short of actual requirements by as much as Rs 75 crores in the peak period. Delayed cane payments by sugar factories due to inadequate bank credit could result in diversion of cane to gur and khandsari and consequent loss of sugar production.

Sugar output

According to the Indian Sugar Mills Association, the sugar production in the month of November, 1974, the second month of the season 1974-75 was above 3,45,000 tonnes as against 2,56,000 tonnes during the corresponding period last season. This brings the total production during the first two months of the season 1974-75 to about 408,000 tonnes as against 322,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the month of November, 1974 was about 2,53,000 tonnes for internal consumption and 49,000 tonnes for exports as against about 2,73,000 tonnes for internal consumption and 34,000 tonnes for exports in the corresponding period last season. The total despatches in the first two months in 1974-75 was 543,000 tonnes for internal consumption and 94,000 tonnes for export as against 578,000 tonnes for internal consumption and 82,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories on November 30, 1974 was about 594,000 tonnes as against about 503,000 tonnes on the same date last season.

Economic Journalist meet

The second International Seminar of Economic Journalists will be inaugurated in New Delhi on January 22, 1975. The plenary sessions will begin on the morning of January 23. The seminar will conclude its deliberations on January 28. The theme of the seminar is "The World Economy in Crisis—Inflation, Energy Costs and Trade Dilemmas". Mr Claude Cheysson, Commissioner for Development at the EEC, is arriving to participate in the seminar as also many economic journalists from various countries of the world. In addition, the World Bank, the FAO, the UNDP and the Asian Development Bank have also agreed to participate.

Economic Association Conference

The Fifty Seventh annual conference of the Indian Economic Association was held under the auspices of the Andhra University, Waltair, Andhra Pradesh from 27 to 29 December 1974. Dr. B. Sarveswararao, Professor and Head of the Department of Economics, Andhra University was the Local Secretary. Dr. Malcolm S. Adiseshiah, Director, Madras Institute of Development Studies delivered the Presidential Address. The following three subjects were discussed at the three sessions: Recent Trends in Welfare Economics; Price Policy in India; and Regional Economic Development in India.

The subject chosen for the discussion were: Are there Recessionary Trends in Indian Economy ? Dr. Babutosh Datta was elected the President, Dr. Gautam Mathur, Vice-President and Dr. V. Shanmugasundaram, Secretary and Treasurer of the Association.

Grindlays

On January 1, 1975 National and Grindlays Bank Limited changed its name to : Grindlays Bank Limited. The decision to make this change was announced in Lord Aldington's statement issued In April last, and the necessary steps for the change of name have now been taken all over the world. Grindlays Bank business will be exactly the same as that of National and Grindlays.

Philips Plant

Mr A. C. George, union minister of state for Industries and Civil Supplies, inaugurated recently the new tungsten filament wire and coil factory building at Philips light factory, Kalwa. Philips India's wire and coil activity was started in 1964 and the company has been supplying tungsten filaments to the India lamp industry for the last ten years. The company has now been granted a licence by the government for further integration. which will take Philips India to the swaging stage of tungsten bars. The swaging project would be completed by the end of April 1976.

New Teleprinter

The Hindustan Teleprinters Limited has developed an electronic teleprinter that has certain characteristics not seen in its foreign counterparts. The government-owned teleprinter factory at Guindy is now testing the prototype. The chairman of Hindustan Teleprinters, Mr. G. U. Menon stated recently that one main feature of the machine was that it can adjust itself to any bursts of speed while typing. It could hold up to 10 words in memory and thus neutralise the speed bursts. The electronic teleprinter considerably reduces transmission distortions and could be worked at greater speeds than the conventional electro-mechanical teleprinter.

Premier Car Price Raised

The price of the Premier President car has been raised by about Rs 2,070 by its manufacturers. This is the first price rise in the car market after the government decontrolled car prices on December 31, 1974. The Premier President was costing about Rs 31,300 before this rise and it will now cost about Rs 33,400 on the road.

Tax Relief for Unit Investors

A Presidential Ordinance was issued on January 7, granting further relief to investors in the Unit Trust. The Ordinance, which amends the existing Unit Trust of India Act and the Indian Trust Act, raises the exemption limits for income and wealth tax payers who invest in units. In the case of the former, the exemption limits has been raised from the existing level of Rs 3,000 to Rs 5,000 and in the case of the latter from Rs 1.5 lakhs to Rs 1.75 lakhs, provided Rs 25,000 of it are invested in Units. The government was constrained to resort to this measure because of the sagging interest of investors, especially belonging to the middle classes. In the context of its tight money policy, returns from investments in units had become unattractive.

Public Issue of Scooters India

Scooters India Ltd., a public sector unit, will offer 49 per cent of its equity shares valued at Rs 2.5 crores to the public. The consent of the Controller of Capital Issues has already been obtained and the company proposes to go public in February. The shares will be offered at par. This is the first public sector company to offer equity participation to public. Part of the shares to be offered to the public will be reserved for the employees. In no case, the states's shareholding will be less than 51 per cent so that the management remains firmly in the government's hands. Scooter India is already in an advanced stage. It has an installed capacity of 100,00 two-wheel scooters and 30,00 three-wheelers annually.

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of Switzerland offers

excellent investments in
apartements
apartment-buildings
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in Sergy near Geneva

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High quality, timeless architecture, wonderful country side with beautiful view of the Alps.
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Tél. 022/21 91 25

COMPANY AFFAIRS

Hesitant Mood

THE SHARE market continues to be in a hesitant mood. Till recently marketmen were hopeful that the government would allow an upward revision in the present ceiling of 12 per cent on dividend payment. But following the ordinance amending the Unit Trust Act the marketmen have been driven to the conclusion that the government is not likely to repeal the dividend curbs in the immediate future which had been sustaining the markets for the past few weeks. It looks that the market will have to wait for the presentation of the union budget for any official action in this regard. But with the political uncertainty coupled with rumours of snap poll, it is doubtful whether the full-fledged budget will be presented at all in February.

Equities fluctuated both ways in a narrow range in the Bombay stock market last week. Dalal street opened the week on a steady note with selected leading equities moving both ways on alternate bouts of buying and selling. The week concluded on an optimistic note as several scrips staged a mild rally on the last day of the week on short covering and replacement buying. The volume of business during the week was fair and the undertone optimistic. The Calcutta Stock Exchange lost the previous lustre during the week under review with share prices in almost all sections drifting down gradually on short selling or due to profit taking. After a hesitant start the Madras Stock Market showed an easy trend during the week. Enquiries were fewer, resulting in a small turnover. The increased power cut also affected the market sentiment.

Jay Shree Tea

Jay Shree Tea and Industries Ltd has released its mid-term report on the working of the company for the seven-month period ended October 31, 1974. Total tea crop during this period was slightly higher. In addition, almost all tea units of the company have improved their qualities of production and hence have merited better prices. There has been a stiff increase in the cost of production of tea due to increase in wages and escalation in costs of other inputs and services. Hence the benefit of increased prices will be reduced to the extent of such increases in cost. Both Assam and Andamans plywood factories have been working normally except for a breakdown at Mariani, Assam, of the slicer machine for a period of four months, thus dislocating decorative plywood production. Plywood markets also show great consumer resistance and lack of demand because of credit squeeze, and sharp decline in constructions due to shortage of cement, discontinuance of exhibitions, fair, etc. Cost of inputs for production of plywood namely timber, glue and wages have also gone up considerably. Superphosphate and sulphuric acid production by Jay Shree Chemicals & Fertilisers was marginally lower than in the preceding year. Off-take so far has been reasonably good and it is hoped that despite increases in cost of production, this unit will fare better during the year. All in all, in spite of significant increases in the costs of production and slackness in demand for plywood, it is hoped that the company will be able to report improved working results for the year.

Gwalior Tools

Gwalior Tools Ltd a new company, is entering the capital market on January 20, with a public issue of Rs 10 lakhs in equity shares and Rs 3 lakhs in 10 per cent preference shares. The issue is fully underwritten by leading financial institutions and brokers. The issue is managed by National and Grindlays Bank Ltd. The company is setting up a factory having installed capacity of 4.0 million pieces of hacksaw blades per annum at Maharajpura Industrial Area, Gwalior. The company is registered with DGTD for the above capacity and on January 2, 1975 another registration for the manufacture of one lakh pieces per annum of tool bits has been granted. The applications for import of capital goods and raw materials have already cleared. Messrs Gust Paffenhoff Remscheid of West Germany are the technical collaborators for the project. Hacksaw blades are widely used for cutting steel, aluminium asbestos, brass, bronze, cast iron, copper and many other metallic and non-metallic items. Besides the indigenous demand, there is large growing export market for the product. Hence no difficulty is anticipated in the marketing of its products. The project cost is placed at Rs 38.84 lakhs and it will be financed by the share capital of Rs 19.60 lakhs term loans from Madhya Pradesh Financial Corporation of Rs 17.33 lakhs and Rs 1.91 lakhs as loan from directors and friends. The plant is expected to go into trial production in March, 1975. The project for the manufacture of tool bits is likely to be implemented in 1975 itself. On the basis of estimated cost and realisation, and widening gap between demand and supply, the profitability of the company appears to be encouraging. The company hopes to declare a reasonable return from the very first year of commencement of production.

Voltas

A giant pesticides complex will be set up in a backward area near Hyderabad, Andhra Pradesh. A new company styled Volhro Ltd has been registered for this purpose. Promoted by Voltas in collaboration with Rhone-Pouleno, Paris (France) the company proposes to manufacture pesticide technical material and formulations. The company, it is learnt, proposes to manufacture initially 1000 tonnes of technical material of phosalone which is at present being imported. Of this, half will be formulated by the company and the other half sold to other companies for making into formulations. This pesticide is used in controlling pests on cotton, tea and tobacco. The company hopes to go into commercial production by 1977-78. The turnover on reaching full production is estimated at Rs 12 to Rs 13 crores. The project is estimated to cost nine crores of rupees of which Rs 3 crores will be raised through issue of equity capital. Voltas, it is reported, will take up equity shares worth Rs 78 lakhs (26 per cent) while the foreign collaborators will be allotted 32 per cent of the equity capital mainly for supply of capital equipment worth about a crore of rupees. A public issue is proposed to be made sometimes in August-September.

Kirloskar Brothers

Kirloskar Brothers Ltd has fared exceedingly well during the year ended July 31, 1974 despite an acute shortage of materials, runaway increase in costs of manufacture and credit squeeze. Turnover improved, although modestly, to Rs 22.08 crores from Rs 21.09

ores but gross profit nearly oubled to Rs 126.45 lakhs om Rs 64.18 lakhs in 1972-73. ut of the gross profit, the rectors have appropriated a um of Rs 32.94 lakhs to depreiation reserve as against Rs 9.01 lakhs in the preceding ear; while the allotment to evelopment rebate reserve vas reduced from Rs 8.80 akhs to Rs 7.15 lakhs. An amount of Rs 25 akhs was set aside for taxaion as against no provision in 1972-73. The net profit, after hese allocations amounted to Rs 61.36 lakhs as compared to Rs 26.37 lakhs in 1972-73. The directors have recommended an equity dividend of 9.8 per cent for 1973-74. It will absorb Rs 12.03 lakhs. The company's export's during 1973-74 went up by Rs 20 lakhs to Rs 80 lakhs and further increase in exports is expected during the current year. In the first four months of the current year the company's sales have been satisfactory as compared to last year. However, signs of slackness in demand for valves, hermetic compressors and some types of pumps are now visible. The demand for hermetic compressors has suffered a set back mainly due to the stiff increase in excise duty on appliances in which such compressors are used.

Damodar Bulk Carriers

Damodar Bulk Carriers has reported satisfactory progress during 1973-74, with freight revenue and gross and net profits recording substantial improvements over the preceding year. The company paid a dividend of 15 per cent for the year ended March 31, 1973, but in view of the dividend ordinance the directors have recommended a dividend of 12 per cent for the current year. Its freight revenue increased to Rs 5.70 crores from Rs 3.96 crores in the previous year, registering a rise of about 44 per cent. Gross profit too moved up sharply from Rs 1.04 crores to Rs 1.34 crores. After deducting depreciation and preliminary expenses, net profit amounted to Rs 78.85 lakhs, an increase of 66 per cent over preceding year. Out of this, Rs 45 lakhs was appropriated to development rebate reserve and balance of Rs 50.12 lakhs including Rs 16.28 lakhs brought forward was transferred to general reserve. The directors have decided to make a bonus issue of one fully paid equity share of Rs 100 each for every one equity share held. In April 1974 the company took delivery of a new gearless bulk carrier of 54,000 dwt from West Germany. The carrier is currently engaged in bringing a cargo of grain to the country. One new bulk carrier of 80,000 dwt on order with Spain is to be delivered in June 1975 and another 21,610 dwt vessel from Hindustan Shipyard in 1976.

Usha Alloys & Steels

Usha Alloys and Steels proposes to issue rights shares of Rs. 18 lakhs and offer the same to the company's existing shareholders at par in the ratio

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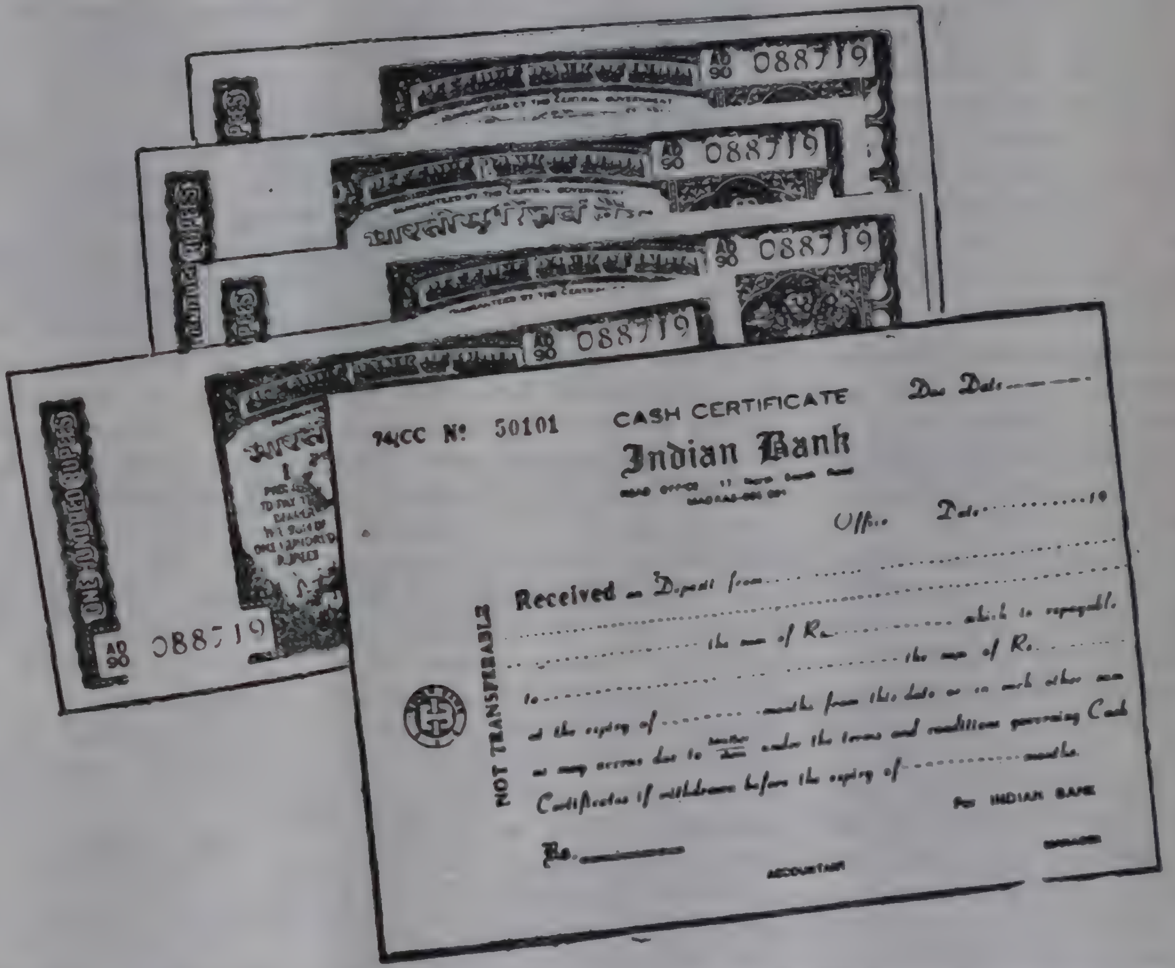

Period	Deposit	Deposit	Deposit
61 months	Rs. 602.77	Rs. 301.39	Rs. 60.28
48 months	Rs. 698.37	Rs. 349.19	Rs. 69.84
36 months	Rs. 764.17	Rs. 382.09	Rs. 76.42
Payment	Rs. 1000/-	Rs. 500/-	Rs. 100/-

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of one rights share for every five shares held. The rights issue is proposed to be made some time in the first quarter of 1975. The proceeds of the issue will be utilised for financing partly the Rs 53-lakh overrun in the project cost. The balance would be met by additional term loans of Rs 31 lakhs from the financial institutions and unsecured loans of Rs 4 lakhs.

Tata Oil Mills

The Tata Oil Mills Company Limited has obtained the consent of the Controller of Capital Issues to the issue of 5,88,629 new Ordinary Shares as Bonus Shares of Rs 25 each by capitalising Rs 1,47,15,725 comprising of Rs 59,78,401 standing to the credit of the share premium account and an amount of Rs 87,37,324 drawn out of the general reserve account. The Bonus shares will be issued to the existing shareholders in the ratio of one ordinary share for every two shares held by them.

For the purpose of effecting this isssue, the Register of Members and Share Transfer Books of the Company will be closed from January 21, 1975 to January 31, 1975 (both days inclusive) and the bonus shares will be allotted to those shareholders whose names stand registered in the books of the company as on January 31, 1975. The new shares shall rank for dividend and in all other respects pari passu with the existing ordinary shares of the company and shall be entitled to participate in full in any dividend to be declared in respect of the year ending March 31, 1975.

NELCO

The operations of the National Radio & Electronics Co. Ltd., during the first six months (Apr. Sept. 1974) of the current financial year, resulted in a sales turnover of Rs 4.03 crores representing a growth of 102 per cent over the sales turnover of Rs 1.99 crores during the corresponding six months of the previous financial year. Sales of individual product groups indicate encouraging prospects as may be concluded from the sales growth of 100 per cent achieved in the entertainment electronic products, 158 per cent in the industrial and professional electronic products and 80 per cent in appliances. The Company's sales performance of radio receivers is all the more significant in view of the 73 per cent growth shown in the first seven months of the calendar year 1974 over the corresponding period during 1973, while the industry recorded a sales growth of 20 per cent only.

News and Notes

A project for the manufacture of 25,000 dissolved acetylene cylinders has been promoted by Mr S. Nallaperumal and Messrs Tamilnadu Industrial Development Corporation. The government of India has approved this project and have also given consent for the terms of collaboration with Messrs Rivoira, SPA, a repurted group of cryogenic engineers in Italy. The government has also approved Rivoira's participation in the equity capital up to 15 per cent and also payment of a lump sum fee for technical know-how, drawing, designs and documentations. The factory will be located in Ambattur area. There is a global shortage of acetylene cylinders and there are good prospects of exporting to middle east, far east and european countries. Even in the USA, there is shortage of acetylene cylinders. The sponsors have agreed for the export of 20 per cent of their production for a period of five years. Rupee countries such as Poland Rumania, Czechoslovakia and East Germany have no acetylene cylinder manufacturing facilities and therefore there are good prospects of selling these cylinders in those countries also. The cylinders to be manufactured by the proposed company will be of welded type similar to those proposed to be manufactured by Bharat Pumps and Compressors Ltd, Naini, who have proposals to manufacture 10,000 welded acetylene cylinders per annum along with porous mass for the same capacity. The promoters made a study of the demand for acetylene cylinders in the country which according to them currently and in the immediate future will be about 40,000 cylinders annually. Bharats Pumps and Compressors and the Tamilnadu plant can meet the demand besides satisfying the backlog and exporting some quantity also. The promoters feel that the project can be implemented in 12 months time since a lot of preliminary work and study has gone into the project.

A Digital Synchronous Welding Controller developed by **Envoys Electronics** has now made it possible to have 1500 welds per minute. The unit is being marketed by Envoys (India) Pvt Ltd, B 247 Phase 1, Naraina Industrial Area, New Delhi 110028.

The Gwalior Rayon Silk Mfg. (Wvg) Co. Ltd., the country's largest manufacturers of sodium sulphate with production ranging between 42,000 tonnes and 45,000 ronnes annually, has bagged three export orders, one each from Iran, Kenya and Bangla Desh. The order cover a quantity of 8,000 tonnes and are expected to fetch the Company Rs 1.75 crores in foreign exchange. The company is hopeful of obtaining additional orders for further quantities in the near future.

Tata Exports has broken through into the Ethopian market for commercial vehicle so far dominated by European automobile companies particularly Italian manufacturers, by securing an introductory order for passenger buses from the government owned General Ethiopian Transport Company. Five Tata buses were inaugurated for service recently by the GET which runs the passenger services in the city and suburbs of Addis Ababa, the capital of Ethiopia.

New Issues

Bharat Bijlee Limited is planning to expand its capacity for manufacture of motors from 2,58,000 HP to 4,24,000 HP at its existing plant in Kalwa, Thana. BBL's products are marketed by Siemens India Limited and the company has been able to obtain a market share of 12.5 per cent. With the increase in demand for motors and after the completion of the proposed expansion project in June 1976, the company expects to sell its entire production of motors without any difficulty. The total cost of the expansion project is estimated at Rs 250.34 lakhs including working capital requirements of Rs 150.34 lakhs. It will be financed by the issue of convertible bonds of Rs 80.00 lakhs, bank borrowings for working capital of Rs 75.17 lakhs, internal cash accruals of Rs 72.17 lakhs and through other sources of Rs 23.00 lakhs. The public issue is expected to be made during the last week of January 1975.

Amines Plasticizers Limited promoted by Indian Carbon Limited (ICL), will be entering the market on January 20, 1975 to raise Rs 78.80 lakhs comprising of Rs 58.80 lakhs in equity shares of Rs 10/- each and Rs 20 lakhs in 11 per cent redeemable cumulative preference shares of Rs 100/- each, to meet a part of the cost of its Rs 2.25 crores project which is already under commercial production. The subscription list will close on January 30, 1975 or earlier, but not before January 25, 1975. The public issue is fully underwritten. The company's Ethanolamines Plant located at Thana, Maharashtra has been in commercial production since December 1973, and its products, conforming to the international standards have been well accepted in the home and overseas markets. The company has also taken on leave and licence since July 1, 1974 ICL's phthalate Plasticizers plant.

Amines & Plasticizers Limited is the first company in the country to manufacture ethanolamines by a sophisticated continuous process with the technology and

The world lacked a certain metal until India produced steel

In the ancient world, India was the first to produce carbon steel. Highly priced in world markets, ancient Indian steel was called 'Wootz'. Allusions to iron and steel in the Rig Veda lead to the belief that the Iron Age began in India 3,000 years before the industry was known in Europe.

In metallurgy and other spheres, Indian talents have enriched the world. We at L&T continue the tradition by enriching life through industrial development. We design, manufacture and instal plant and equipment for every vital industry. Steel is one.

Our subsidiary Utkal Machinery Limited (UTMAL) manufactures sophisticated equipment for the steel industry. Technical know-how comes from Gutehoffnungshuette Sterkrade A.G. (GHH)—a world leader in iron and steel plant design and manufacture. That explains why UTMAL was called upon to manufacture vital equipment like blown oxygen furnaces for the steel plant to be set up by the State Industrial and Investment Corporation of Maharashtra. In addition, UTMAL will furnish the conceptual design and layout for the steel melting shop and manufacture a hot metal mixer, rolling stock, waste gas stacks and two LD converters complete with oxygen lancing equipment.

LARSEN & TOUBRO LIMITED
P.O. Box 278, Bombay 400 001

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a renewed commitment on our 20th anniversary

A TIME FOR THANKSGIVING

The Industrial Credit and Investment Corporation of India Limited wishes to express its appreciation of the trust, confidence, cooperation and devotion, it has received from its shareholders, clients, lending institutions, members of the staff and well-wishers.

ICICI owes its present position in the Indian economy to the support it has received from the Government of India, particularly the Ministries of Finance and Industrial Development as well as the Reserve Bank of India.

ICICI is grateful to the Industrial Development Bank of India, the Life Insurance Corporation, the Unit Trust, The Industrial Finance Corporation of India, banks and insurance companies, which have contributed to its funds and participated in its operations.

ICICI has been able to provide valuable foreign exchange to Indian Industry for accelerating India's industrial development. The Corporation is deeply grateful to the International Bank for Reconstruction and Development for providing sustained financial support and technical guidance.

ICICI also extends its thanks to Kreditanstalt fur Wiederaufbau, U.S. Agency for International Development and the Government of U.K. for the funds provided by them.

ICICI staff has worked with devotion in the cause of development. The Corporation expresses its sincere appreciation of their substantial contribution to the progress of ICICI.

On its 20th anniversary, ICICI renews its pledge to render greater service to the national economy, the well being of the people and to the country's prestige abroad.

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now-how obtained from the orld-renowned Societe Naptachimie of France.

Ethanolamines are consum- d in substantial qualities by ajoar industries like Fertili- ers, Pharmaceuticals, Textiles, teel, Cement, Leather and is lso used in the manufacture f dyes, paints, detergents, oaps and cosmetics. Practi- ally the entire demand from hese chemicals being met by mports until the company's lant went into commercial roduction.

The product thus constitute n important item of the im- ort substitution programme. he company's product di- ctyl phthalate (DOP) is cater- ng to the needs of a wide ange of PVC processing in- lustries engaged in the manu- acture of insulated cables, eather-cloth, footwear, films nd sheets for packaging etc. uring the first year of its roduction ended September 0, 1974 the Company's sales ggregated Rs 1.37 crores, on vhich it earned a gross profit f Rs 33.37 lakhs the company as also earned foreign ex- hange to the tune of Rs 7.57 akhs by exporting a consign- nent of 40 tonnes of Mono- thanolamines to a Middle- ast country. Barring unfor- een circumstances, the com- any hopes to pay a reasonable ividend for the year ending eptember 30, 1975. The ex- ected turnover for the period ould be about Rs 4 crores.

apital and Bonus Issues

The government of India as allowed 13 companies to aise capital worth over Rs .25 crores. Following are e details:

The Finlay Mills Ltd., ombay, have been accorded onsent, valid for three month, capitalise Rs 40 lakhs out f its general reserve and sue fully paid equity shares f Rs 100 each as bonus hares in the ratio of one onus share for every two uity shares held.

Shri Vivekanand Mills Ltd, hmedabad, have been accor- ed consent, valid for three months, to capitalise, Rs 9,04,750 out of its general reserve and issue fully paid equity shares of Rs 250 each as bonus shares in the ratio of one bonus share for every two equity shares held.

The Southern Borax Ltd, Madras, have communicated to the government their proposals to issue capital under clause 50 of the capital issues (exemption) order, 1969, to the extent of Rs 40 lakhs (inclusive of capital already raised) in the 4 lakhs equity shares of Rs 10 each, for cash at par, out of which shares of worth Rs 19.60 lakhs will be offered to the public by a prospectus.

The Central Pump Mills Ltd, Poona, have been given consent for their statement of proposals, valid for a period of 12 months, for issue of securities worth Rs 1,35,00,000 (Rs 100 lakhs in equity and Rs 35 lakhs in secured debentures) to be placed privately with the Unit Trust of India.

The Karnataka Coir Products Ltd, Bangalore, have been accorded consent, valid for three months, for the issue of bonus shares worth Rs 4 lakhs.

The Gold Mohur Mills Ltd, Bombay, have been accorded consent, valid for three months to capitalise Rs. 10 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

The Pahlaj Bajaj and Co (Novelties) Pvt. Ltd, Bombay, have been accorded consent, valid for three months, to capitalise Rs 1,51,300 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Eutectuic Welding Alloys of India Ltd, Bombay, have been granted consent, valid for a period of three months, for issue of bonus shares worth Rs 4 lakhs only.

The Knit Foulds Ltd, have been accorded consent, valid for three months, for the issue of bonus shares, worth Rs 1,60,000.

The Bihar Foundry and Castings Ltd have communicated to government their proposal to issue capital under clause 5 of the capital issues (exemption) order, 1969, to the extent of Rs 45 lakhs (inclusive of the capital already raised) in the form of 4,50,000 equity shares of Rs 10 each for cash at par.

The Scooters India Ltd, Lucknow, a public limited company, having a paid-up capital of Rs 204 lakhs, have been accorded consent to issue further capital of Rs 215 lakhs in equity shares of Rs 10 each for cash at par, to the general public by a prospectus out of which shares worth Rs 5 lakhs will be reserved for allotments to the employees and associates of the company. The proceeds will be utilised for providing a part of finance required for the project for the manufacture of two three wheeler scooters. The consent is valid for a period of one year only.

The Paliwal Mini Steel (India) Ltd, Delhi, have communicated to the government their proposal to issue capital under clause 5 of the capital issues (exemption) order, 1969, to the extent of Rs. 50 lakhs (inclusive of capital already raised) in 5 lakhs equity shares of Rs 10 each, for cash at par out of which shares worth Rs 30 lakhs will be offered for public subscription by a prospectus.

The Mohta Ispat Ltd have communicated to the government their proposal to issue capital under clause 5 of the capital issues (exemption) order, 1969, to the extent of Rs 40 lakhs in equity capital and Rs 1,500 in preference capital.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Same Dividend			
Rajasthan Spinning & Weaving Mills	Sep. 30, 1974	7.5	7.5
India Forge & Drop Stampings	June 30, 1974	Nil	Nil
Birds Jute and Exports	March 31, 1974	Nil	Nil
Premier Automobiles	June 30, 1974	Nil	Nil
Challapalli Sugars	June 30, 1974	10.0	10.0
Sandur Manganese & Iron Ores	Dec. 31, 1973	Nil	Nil
Reduced Dividend			
Parshuram Pottery Works	July 31, 1974	9.0	10.0
Trichi Steel Rolling Mills	Sep. 30, 1974	7.5	12.0
Engine Values	March 31, 1974	9.5	13.0
Cauvery Sugars & Chemicals	June 30, 1974	3.5	11.0

CONSOLIDATED COFFEE LIMITED

Speech of Mr. M.A. Sreenivasan, Chairman, at the 31st Annual General Meeting of the Company held on 14th December, 1974.

The five-year review presented with the accounts shows the progress of your Company during the period. It will be seen that the gross income, profit before tax, and profit after tax are all double of what they were five years ago and that your Company's investments in shares and securities have more than trebled. Reserves have registered an increase of Rs. 35 lakhs, after the drawing of Rs. 71½ lakhs for the issue of bonus shares in 1973-74. Your Directors feel sure you will agree that the progress is gratifying.

Although the average crop harvested in the Company's estates has tended to be stagnant over the years, due mainly to extensive new clearings and replantings that have been done in the last five years at a total cost of Rs. 26.50 lakhs, the crops harvested are expected, as a result of these operations, to show substantial increases in future years.

I shall not take your time to speak of the coffee plantation industry in general, its problems and prospects. These subjects have been amply and authentically presented by the Presidents of the United Planters' Association of Southern India and of the K. P. A. and other planting associations at their Annual Conferences which always precede our Annual General Meetings.

I shall also refrain from speaking, except very briefly, about inflation which, since I described it as galloping fast last year is now so uncontrolled that even the usually reserved Reserve Bank has come out with the statement that "price increases during 1973-74 were very large, very rapid, persistent and all-pervasive". Even as we sit here the cost of cup of coffee we have just taken may rise by a paisa or two, before the end of this meeting—not the price of the coffee so much as of its milk and sugar content.

Very important persons in high authority, including the Vice-President of India, Central Ministers, Chief Ministers and other Ministers of our State have presided over and spoken at the UPASI and KPA Conferences. I have attended these Conferences over the last ten or fifteen years. Some of the earlier ones sounded like soliloquies on one side and sermons on the other. In later ones, however, response from the Government side has been sympathetic and encouraging. I would refer, in particular, to the speeches made at the Conference of the Karnataka Planters' Association in October last by the Hon'ble Chief Minister and the Hon'ble Finance Minister of our State in which they were pleased to give definite assurances of tax relief by way of depreciation as allowed for other industries. I am sure you will all agree with me in expressing our sincere thanks to them for their kind assurances.

In every one of these Conferences I have invariably heard generous words of praise from high authorities for the achievements of planters of the plantation industry. It is no doubt in recognition of these achievements that the Government of Karnataka took the decision to exempt plantations from ceilings and other restrictions imposed by the Karnataka Land Reforms Amendment Act. The industry is grateful to the Hon'ble Chief Minister and his colleagues for this farseeing and statesmanlike decision-though at the last KPA Conference Shri Devaraj Urs, with due grace and modesty, gave credit for the decision to the Prime Minister, to whom also we are indeed grateful.

While, as I said there was always a chorus of praise for the industry from the Government spokesmen at each of the Conferences, at not a single one of them did one hear anything to indicate that serious thought had been given to the question why and how the industry came to merit the praise.

How did the coffee planting industry come into existence in the State? How did the lovely green hills and valleys of Coorg and the Bababudans come to be clothed with the well-wooded verdure of coffee, pepper and orange? How is it that India's plantation industry has won and retained the first rank in the world for production of tea per hectare, and the fourth rank in the world in coffee? And why on the same good earth, under the same Indian sun and sky and the same capricious Indian monsoon, with the same Indian skills and hands, does our country stand as low as 50th in the world in the production of rice per hectare and 40th in cotton?

The last question is one that calls for deep and anxious consideration especially when it is realised that our farmers have demonstrated that they, too, can attain far higher yields of rice and corn and cotton. In the case of paddy for example, in 1970 the highest yield in demonstration farms in Orissa was nearly eight times and in all-India crop competitions 9.4 times the national average (16.8 quintals per hectare) in that year.

I propose, with your permission, to take some time to speak about these matters.

When you read the history of coffee cultivation and its phenomenal growth in our State you cannot but adm the way it was nurtured encouraged by the Sta Rulers and the Governm and the wise and generous p visions made in the Mys Land Revenue Code and the Revenue Manual, Department's bible, to attr bold enterprise and inv ment to tame jungle and tra form it into smiling cof estates. The Code and Man were among my text boo for it happened that my v first posting, on entering Mysore Civil Service January 1918 was to Chikm galur, were happily my fi assignment even as a pr bationary assistant comm sioner was to process appli tions for Takavi loans fr coffee planters who were th hard hit by a serious decli in prices.

The key word in the provisions was "Shraya" me ning improvement, "improv ment of land by cultivation as explained in the Reven Manual of 1967, "waste lan granted to cultivators w undertook to reclaim the ar from jungle and bring under cultivation upon leas with progressive increasi rents".

An entrepreneur appli for coffee cultivation on hill side jungle. The land w ordinarily sold by aucti subject to an upset price Rs. 20 per acre (January 194 It was given on a "guarant for 30 years" and "in the ca of coffee, free of assessme for the first three years, on half assessment for th next two years, and th full assessment of Rs. 1-4-0 p acre from and after the sixt year". No grant was ma unless the applicant was ab to prove that he can raise th necessary capital for startin the industry—mark the use the word industry. One-fifth the area granted was to b planted every year.

A thoughtful additiona provision, intended to chee up the intrepid planter sai "the grantee can draw todd from Bagani or other tree for the making of bread o r bonafide domestic pur- s".

s it any wonder that with inviting attractions and ntives and taxation that nominal, our State now › India with 70% of the l coffee production?

The question is, why this ing disparity in our agri- ture's productivity between yields of rice for food and ton for clothing on the hand, and the yields of ntation crops like tea and fee ?

What is the magic of ntations ?

I know that I shall be eating some things I have d before. I am also aware it what I say may readily dubbed as old-fashioned or missed as unacceptable. I all make no apology for etition of things that need be repeated. As for being t of fashion, we know shions change and en change so far back to fashions of a past ntury, as evidenced on the ces of many young men we e around us today.

The root cause for the aring disparity is to be und in the way land has me to be regarded and trea- d by our law givers and vernment. They all recog- se that agriculture is India's eatest industry. Yet, with e exception of plantations, ich occupy but a fraction the total land under culti- tion, agriculture is not eated as industry is treated. gricultural land has become e platform, if not the play- ound of politics, each party ing with and wishing to ex- l the other in land reforms d reforms of land reforms. his, in spite of the fact that en Pandit Nehru declared ears ago that there should an end to land reforms.

Our nation's leaders cons- ntly exhort us to preserve r culture and traditions. rom ancient times till only few decades ago, land in dia that is Bharat was des- ibed as 'Sthira' permanent, rtain. Deeds of transfer of nd affirmed the right of the purchaser to the "eight fold" enjoyment of the ownership of the land, the trees, waters and minerals therein, above and below the ground, (nidhi nikshepa, jala, tharu, pashanadi, ashtabhoga tejas swamyam) until the 'sun and moon last (achundrarka).

What is title to agricultural land today ? Has it not tended to be a scrap of paper blown about by every political breeze ? Investment in land has become the very reverse of 'Sthira'. The river of capital that flowed to it and made it green has dried up or got diverted. The nation's most basic industry has become the biggest investment risk. If you are thinking of investing in land now, do not forget that your status as a land-owner is derecognised. Make sure you do not earn a rupee more than a magnificent 12,000 rupees a year. Be careful not to hit your head against the ceiling. Note that while it was 18 standard acres in 1961, it has since been lowered down to ten. And beware of being branded an absentee landlord. It is a term of abuse. You may live in Bombay and buy five hundred shares in the Mysore Sugar Company and not be called an absentee Sugarlord; or in Tata Steels or Binny's and not be castigated an absentee steel lord or absentee clothlord, but no, not so if you buy land.

I am sure many of you have wondered, as I have, why there is all this political obsession with land. It is common knowledge that even if all the arable land in India were distributed among the landless there would hardly be an acre for each.

From ancient times it has been the habit of Maharajas and Sultans who invaded and became the new masters of large tracts of land to make gifts and 'inams' at their pleasure. The commonest form of a royal gift was of land that came under their sway. In giving land the Sultan gave nothing that diminished his riches or interfered with his pleasures. "Nothing is clearer in history", writes Will Durant, the famous philosopher-historian in his great work called "Lessons of History", "than the adoption, by successful rebels, of the methods they were accustomed to condemn in the forces they deposed". Can you think of a better illustration of this lesson of history than the way our present rulers, having deposed Maharajas and Nawabs and condemned their ways, have adopted the favourite habit of their predecessors of making gifts of land ?

You will readily admit that the habit has unique attractions. Can you think of anything you can give that is easier, more pleasing and costs you less than giving land that is not yours ? Air, not hot, but cool, refreshing air is God-given and free for all. Water, drinking water in particular, is easier promised than provided. It is troublesome to part with cloth, to part with cash even more so. So why not give land, play about with land, take it from the owners, impose ceilings and slash them down, give land as you please, give to the landless, give to political sufferers, give to all whose votes you seek ?

Chant the manthra "land to the tiller", "land to the tiller." It is a catchy slogan well coined to please the masses and to grow more votes. But stripped of its populist trappings, and examined closely, to say "land to the tiller" would appear no more respectable or rational than to say, for a change, "cloth to the weaver", or "curry to the cook".

Now, where have these policies led to?

Experienced observers, including political leaders of the status of Shri V. V. Giri, both as President of India, and after his retirement, have pointed out that this exercise of distributing lakhs of pattas of small plots of land is largely ineffective and the ownership of the recipients has, in most cases, been short-lived. Even granting that this may not happen in all cases, does not the policy lead to capital starvation of agriculture on the one hand and mere subsistence farming on the other ?

In my days as a Revenue Officer, and even till a few decades ago, there was much concern over fragmentation of holdings. The accent was on integration, consolidation. The wisdom of this policy was never brought home to me more forcibly than when I was minister for Food in this State. The supply of food to town and city dwellers, whether it is free or rationed, must come from farms in rural areas. The farmer who grows food has to keep what is enough for his family and dependents, and sell or surrender the excess. This excess is called the marketable surplus. Suppose the marketable surplus from a rural area is 20% of the total production in it. If for any reason, whether because of increased local needs or of a scare of scarcity the farmers in that area retain only 10% more for themselves, the marketable surplus at once suffers a cut of 50% and the supply or ration of the urban population is reduced to half of what it was.

One hears a great deal of eloquence about land hunger. Land, after all, is only one of the means, a base of production. You cannot eat land. The expression land hunger is semantic, a figure of speech like, say, cloth hunger, or power hunger. But food hunger is very real and dangerous. "We are living on the edge of a knife", says Dr. Boerma, Director General of F. A. O., about the present global food situation. "Disaster is at our doorstep. Asia is facing the largest food deficit in history." No less an authority than Nobel laureate Dr. Norman Borlug made the dreadful prediction, very recently, that millions will die in the next 8 to 9 months in countries like India and Bangladesh. He called it "the worst food crisis since World War II" and added, "The deaths in those countries are going to make the fatalities from starvation caused by drought in the Sahara lands over the last couple of years look like very small numbers."

All of us must earnestly hope and pray that the prediction may not prove true. But does not the situation call for urgent and serious rethinking and revision of our nation's agricultural policies ?

It is now nearly two decades since Prime Minister Jawaharlal Nehru declared "not a grain of food will be imported even if we starve". Years later he lamented, "it disturbs my mind more than the Chinese aggression. I often hang my head in shame when I think that a nation with seventy per cent of its population in agriculture depends on foreign countries for its food requirements".

Which are these foreign countries ? The U. S. A. the largest exporter of agricultural products in 1972-73, which has less than 5% of its population engaged in agriculture, aud countries like Australia, Canada, where land is not politicalised, where agriculture is free and unhampered by irksome laws and levies, and the only ceiling is the sky.

But we need not seek lessons in cultivation from these countries from which we import food. We have in our own land, proof in our plantations, and in our demonstration farms, that our agricultural productivity can rank as high as any country in the world.

Dr. B. R. Shenoy, a distinguished economist and authority on India's food problems asks, "If 7.5 out of every 10 hectares of sown area is under foodgrains and 70 out of every 100 of the working population is engaged in agriculture, if yields from efficient cultivation with the use of modern technology are a multiple of 7 to 12 times the national average yields in the case of paddy and wheat, if the Government's policy measures are designed to achieve food self-sufficiency and the market deficit in food supply is under 5 per cent of the gross domestic production of foodgrains, how is it that this deficit has defied solution?" "The answer", he writes, "lies in the capital starvation of agriculture. The taste of the neglect of industry is in the pudding of its production. Applying this principle to agriculture, the taste of the capital starvation of agriculture is in the statistics of agricultural production".

At the recent World Food Conference in Rome, Mrs. Judith Hart, Britain's Minister for Overseas Development said that "if the torrent of words flowing out at Rome could be transformed into rice and wheat, the hungry children of the third world might be saved". Likewise it would be true to say that if the incessant spate of our land legislation could have grown paddy, our country would not only be self-sufficient in rice but also have a surplus for export.

Does it not seem unfortunate, indeed deplorable, that ceilings and levies and restrictions are imposed that deny to the growing of staple foods like rice and ragi and basic crops like cotton the freedom given to growing crops like coffee and rubber? True, the export of the latter earns valuable foreign exchange. But does not the import of the former impose a heavy and increasing drain on our country's foreign exchange resources specially at a time when the nation's balance of payments position is causing concern?

Earlier in my speech I asked,—what is the magic of plantations? It is, simply, the magic wand held by Government, the Prime Minister and Central Cabinet, the Chief Minister and his colleagues here, by a blissful wave of which lands upon which crops defined as plantation crops are exempted from the ceilings and levies, the restrictions and uncertainties imposed by Land Reforms legislation.

How I wish the same magic wand is waved to bring forth paddy plantations and cotton estates! If cotton is blissfully included in the definition of plantation crops, I am confident that Karnataka can within a few years be not only fully self-sufficient but also supply cotton to the mills in neighbouring States. And if by suitable exemption or amendment of the law well-managed estates could be enabled to grow paddy, there would be no need at all for our State to go asking for allotments of imported rice.

I have pleaded with the Chief Ministers and others in high authority for the revival of the 'shraya' spirit to encourage, nurture and improve the cultivation of these essential crops even as our coffee estates have been nurtured and enabled not only to attain high levels of productivity and earn foreign exchange, but also to provide gainful employment and amenities, such as free housing, water supply, medical and sanitary facilities, canteens, creches, to lakhs of well-paid workers whose earnings could be the envy of the hundreds of poor rural workers that daily flock to our cities in search of employment.

In making the pleadings I derived encouragement by the observation of a perceptive Union Minister and a report that the Government was thinking at one time of permitting the corporate sector to engage in efficient large-scale farming. But the melancholy answer I got from the authorities was that while the proposition is economically sound, it is politically impossible.

It is sad to think that political ideologies should come in the way of what is nationally good, and necessary.

I earnestly hope that at a time of emergency and crisis like the present, political inhibitions and prejudices will be cast aside, and the magi wand will swiftly be waved to banish scarcity and usher in an era of abundance of food and clothing in our land and that Karnataka will take a bold lead in this direction.

I am glad to say that staff and labour relations have continued to be harmonious.

I am sure you will join me and the Board in thanking Mr. K. B. Somana the Managing Director and his team of officers and expressing our appreciation of the excellent work done by them during the year.

To my colleagues on the Board I am most grateful for their valued advice and friendly co-operation.

(This does not purport to be a record of the proceedings of the Annual General Meeting).

COMPANY NOTICE

INDIAN ALUMINIUM COMPANY, LIMITED
1 MIDDLETON STREET,
CALCUTTA 700 016

REPAYMENT OF 6½% DEBENTURE STOCK 1970/75

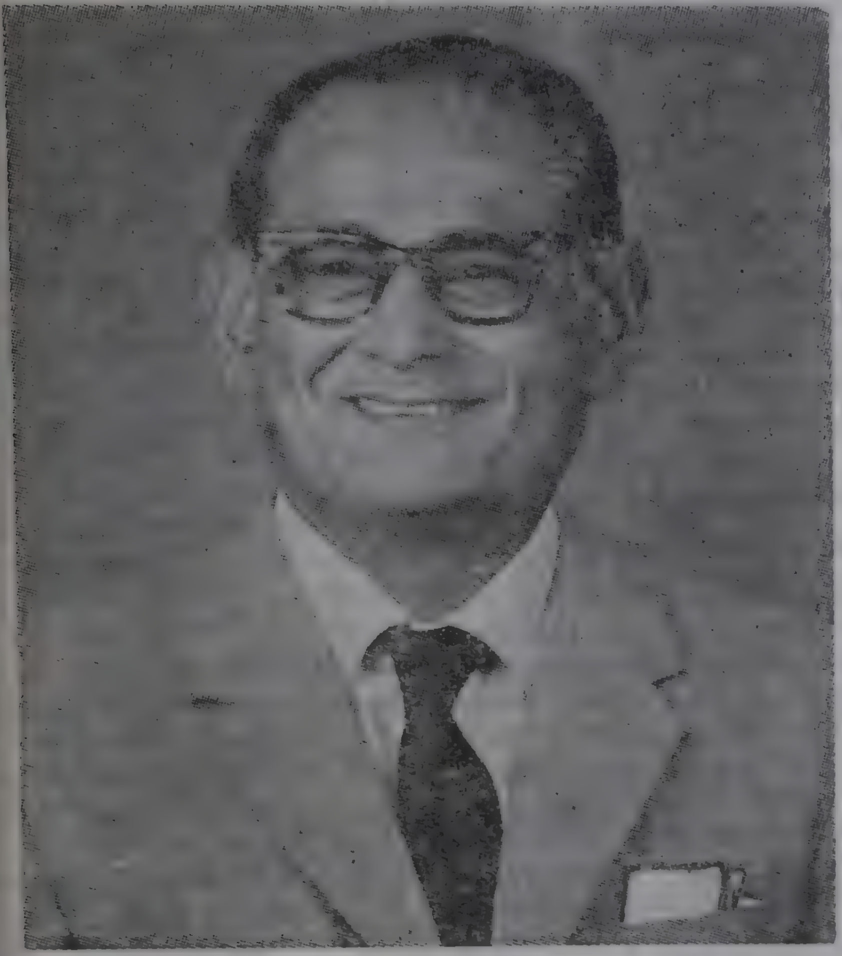
Registered holders of the 6½% Debenture Stock 1970/75 who have not as yet surrendered their certificate(s) to the Company are hereby requested to do so immediately in order to enable the Company to repay the principal amount of the Debenture Stock held by them.

P.K. Pal
Secretary

7 January, 1975

KOTHARI (Madras) LIMITED

A RECORD ACHIEVEMENT : PLANS FOR FUTURE GROWTH



MR. D.C. KOTHARI

This is the FIFTH year of he company but the third year of the combined operations of the various units.

During the year under review, the economy of the country was beset with inflaionary tendencies, shortage of essential raw materials, power shortages in all parts of he country barring a few States nd labour unrest. All these actors considerably hampered the growth of the indusrial activity. Added to this, was he policy of curtailment of money supply in circulation nnounced by the Reserve Bank of India, last year.

Gearing up of agricultural nd industrial production appears to be very essential now o curb the inflationary tendncies. Decline in price levels an only be expected with increased production. In this ontext, the policy of credit queeze hitherto adopted hould be given a fresh look nd fresh relaxation should be made on a selective basis.

It is refreshing to note that at a recent meeting of the Chairman of the nationalised banks, views have been expressed for the need for liberalising the credit squeeze in order to achieve increased industrial production.

The year 1973-74 witnessed buoyant conditions in the share market. In fact, the amount of new capital issues during that period were a record for the previous eight years. There was also a marked improvement in the share prices. However the introduction of legislation by the Government imposing restraints on the payment of dividend, has affected the capital market and many of the new undertakings have not been able to come to the market for issue of their shares. This problem requires serious consideration and it might also be necessary to liberalise the debt equity ratio wherever finances are to be raised by undertaking so that the amount of equity to be raised could be smaller in quantum.

Our country has been able to build a strong industrial base capable of producing anything ranging from consumer goods to sophisticated machinaries and we have been able to bridge to a large extent the technological gap that was prevailing at the time of independence. It is imperative that we should strive hard to keep up the tempo of industrial growth in our country, if the economy of the country is to attain the stability that is sought to be achieved in our consecutive Plans.

A Record Profit:

Viewed in the context of the general industrial conditions that prevailed during the year, the results of your Company for the year ended 30th June, 1974 have been excellent. A record profit has been made.

The Plantation Division has manufactured 19,13,522 Kgs. of tea and produced 923 tonnes of coffee during the year. Sales of tea during the year were of the order of Rs 1.56 crores and realisation from coffee accounted for Rs. 66 lakhs. The Curing Works were able to handle and cure 5,370 tonnes of coffee aud the income by way of curing charges was Rs 7.44 lakhs, more than double of the privious year.

Last year, tea producing countries realised rather low prices; but there is now a change for the better. The tea prices have gone up to a level almost amounting to 60% increase over the previous year. This is reflected in the price that tea fetched at the Cochin auctions which was Rs 6.51 per kg. in July 1973 and Rs 10.55 per kg. in October, 1974. This trend is still continuing. The reason for this is not far to seek. The price of tea had remained practically static between 1953 to 1973 except to the extant of an increase of about 5%. Tea prices in 1974 now reflect the increase in commodity prices throughout the world consequent on the increase in oil prices.

Coffee Exports:

During 1973-74, Indian Coffee exports reached a peak level with an export of 52,688 tonnes and the foreign exchange earned was Rs 46.1 crores. This was made possible because of the bold decision taken by Brazil to increase the price of coffee in the international market last year. This made the consumer countries to pile their stock of coffee by purchasing at higher prices; so much so that Indian coffee was sold at as high a price as Rs 590/- for 50 kg., in the export auctions for Plantation 'A' Almost all the Indian Coffee for export had been expored before May and there remained only a balance of 10,000 tonnes for export in our country. There has been a downward trend in the world coffee price since May, 1974. But this has not affected the Indian coffee as the major portion of production was exported before the fall in price. It is expected that Brazil will be re-entering on the international scene and it is hoped that she will attempt to maintain the price at an increased level as is the feature with all countries having a monopoly of commodities for export.

Both tea and coffee however are subject to increased costs of inputs and labour wages. To maintain the production and also to participate in a larger measure in the export of these commodities, it will be necessary to regulate any increase in the cost of production.

Increased Textile Exports :

As regards our Textile Division, the turnover was Rs. 13.11 crores as against Rs 6.20 crores of the previous year. On the export front, we exported cloth and yarn of the value of Rs. 76.40 lakhs as compared to exports valued at Rs. 43.93 lakhs during the previous period.

There was a considerable boom in the export of textiles during the last year but it has now receded. This is mainly because our yarn and textiles are outpriced in the international markets by as much as 30% to 40% depending upon the counts and variety. Besides, we are also forced with keen competition from various textile producing countries including Japan which has re-entered the business of manufacture and sale of grey fabrics. Pakistan has dropped the export duty on cloth. New textile mills which have come up in Malaysia and Thailand are also emerging as serious competitors. Re-introduction of cash incentives for export of yarn and cloth appears to be very essential if the exports are to maintained.

The cotton crop during 1973-74 was shorter than the previous year being 63.50 lakhs as against 65.16 lakhs bales. Imports were restricted to only 1.25 lakh bales. This restricted the availability of cotton during the season. The price of cotton continued to increase and reached its peak during July/August 1974. The cotton prices during August 1974 were almost 60 to 80 per cent higher than the previous year. This increase in price of cotton has not affected us considerably because of the farsighted policy of judicious purchases of cotton at appropriate times. The cotton prices have however, come down by about 30 to 35 per cent from the peak level reached during the last few months.

Whilst the Textile Division made excellent profits during the year under review, its operations continued to be hampered considerably due to inadequate liquidity of funds arising out of the credit squeeze imposed by the Reserve Bank of India. While in physical terms our inventory of raw materials and finished goods on an average, were not significantly different from the one we are accustomed to hold in terms of quantity, the inventories in terms of value were at unprecedented levels.

The Fertilizer Division has done well during the current year despite the power cut for nearly four months achieving a turnover of Rs 3.30 crores. It has programmed to expand the production of Sulphuric Acid from the present capacity of 15,000 to 18,750 tonnes per annum. Negotiations with the bankers for financial arrangements are going on and we expect to implement this as soon as the financial arrangements are finalised.

As you know, this Company was incorporated on Ist July, 1970 for taking over the five companies, viz., Blue Mountain Estates and Industries Limited, Waterfall Estates Limited, Balmadies, Plantation Limited, Kothari Textiles Limited and Adoni Spinning and Weaving Company Limited as going concerns.

One of the primary objectives of this amalgamation was to utilise more effectively the resources of these companies, to provide a steady rate of return to the shareholders and achieve greater financial stability to enable expansion diversification etc.

Caustic Soda Plant :

You will recall, in my last year's speech, I had indicated that we were seriously considering going into manufacture of Caustic Soda. I am pleased to inform you that we have made considerable progress with this project and it is now before the financial institutions for consideration. Barring unforeseen circumstances, we expect to go into production by early 1977. The estimated investment is of the order of Rs 15 crores and the gross profit before depreciation and provision for taxation is estimated between Rs 2 to 2.5 crores.

Coming to the prospects for the current year, I expect the cotton prices to be lower; i.e as high as last year. Last year was an exceptional year for textiles and for cotton. Tea prices in domestic and international markets are expected to increase. The demand for textiles may again pick up at reasonable prices. In the matter of profits, we cannot expect a repeat performance this year, but it would certainly be much better than in an average year.

In conclusion, I must say that in spite of several odds, the Company has done reasonably well in the fifth year of its existence. This has been due to the co-operation and hard work of all sections of the staff and the workers.

Note: Chairman's statement read out at the 5th Annual General Meeting held on 27th December, 1974 at the Company's Registered Office at 20, Nungambakkam High Road, Madras-600034. This does not purport to be the proceedings of the Annual General Meeting.

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RECORDS & STATISTICS

Foreign Trade of India : 1974-75

THE FAVOURABLE balance of trade in 1972-73 at Rs 103.39 crores was followed by an unfavourable balance of trade at Rs 424.32 crores in 1973-74. The imports in 1974-75 are expected to exceed exports by a large margin, thus considerably widening the unfavourable gap witnessed in 1973-74. According to figures for the half-year-ended September 1974, imports exceeded exports by Rs 312.31 crores; extrapolating this trend, it appeared that the trade gap during the current financial year would range between Rs 500 and 600 crores.

The break-up of imports into major heads for the past four years indicated that the bill for raw materials and intermediate goods had increased at a fast rate. Whereas the total value of raw materials and intermediate goods was Rs 654 crores in 1970-71, it was more than Rs 1,304 crores in 1973-74. From all indications, it is expected to be still higher in 1974-75.

In 1973-74, India's exports to Japan had taken the first place followed by the USA, the USSR and the UK. In earlier years, our best customer used to be one of the three countries, namely, the UK, the USA and the USSR. It was for the first time that Japan earned this distinction in 1973-74.

The tables below summarise the foreign trade trends till September, 1974 and indicate that India would need to make Herculean efforts to bridge the gap between imports and exports :—

TABLE I

Month-wise Imports, Exports (Including Re-exports) and Balance of Trade during the Years 1972-73 to 1973-74 (Up to Sept. 1974)

(Value Rs lakhs)

Months	1972-73			1973-74			1974-75		
	Imports	Exports	Balance	Imports	Exports	Balance	Imports	Exports	Balance
April	13729	15413	+1684	16175	14486	—1689	33095	17596	—15449
May	13342	15381	+2039	16345	17359	+1014	30090	21366	—8724
June	12993	14037	+2044	18009	14179	—3830	34222	25367	—8855
July	15050	13924	—1126	20097	19996	—101	32891	31096	—1795
August	14636	16954	+2318	20295	19142	—1153	24728	31095	—6367
September	15327	15921	+594	20252	22312	+2060	28049	25324	—2725
October, November, December	38592	47448	+8856	74358	61699	—12659	..	..	..
January, February, March	63076	57980	—5096	106181	79207	—26974	..	..	..
TOTAL:	186744	197083	+10339	290812	248380	—42432	183075	151844	—31231

Note : (*a*) Monthly totals may not add up to cumulative figures because of rounding and revisions.

(*b*) Figures for various months as well as for the year 1973-74, 1974-75 (upto September 1974) as a whole are provisional and subject to revision.

(*c*) Figures for the period October to December and January to March were published on quarterly basis during 1972-73 and hence figures have been incorporated on quarterly basis for these two quarters for the sake of comparability.

(*d*) **Source** : (*i*) Office of the economic advisor for the figures for July to September 1974.

(*ii*) Monthly statistics of the foreign trade of Indian vol. I & II for all other figures.

TABLE II

Imports, Exports (Including Re-exports) and Balance of Trade in Merchandise during the Years 1968-69 to 1974-75 (Up to September 1974)

(Value in Rs crores)

Period	Imports	Exports (including re-exports)	Balance of Trade
1968-69	1908.63	1357.87	(—)550.76
1969-70	1582.10	1413.28	(—)168.82
1970-71	1634.20	1535.16	(—)99.04
1971-72	1824.54	1608.22	(—)216.32
1972-73	1867.44	1970.83	(+)103.39
1973-74*	2920.91	2483.22	(—)437.69
April-Sept 1974	1830.76	1518.43	(—)312.33
April-Sept 1973	1111.73	1074.75	(—)369.98

* Figures for 1973-74 and April-Sept, 1974 are provisional and subject to revision.

Source : Monthly statistics of foreign trade of India, published by the director general of commercial intelligence and statistics, Calcutta.

TABLE III

Break-up of Import into Major Heads during the Years 1970-71 to 1973-74

(Value in Rs crores)

Major Heads	1970-71	1971-72	1972-73	1973-74
(1) Maintenance imports	1133.74 (69.38)	1401.42 (76.81)	1442.08 (80.26)	2068.50 (70.82)
(*a*) Raw materials and intermediate goods (Excl. metals)	654 21 (40.04)	778.13 (42.65)	790.98 (44.02)	1304.51 (44.66)
(*b*) Components & spares	212.80 (13.02)	283.29 (15.53)	332.34 (18.50)	381.78 (13.08)
(*c*) Metals	266.73 (16.32)	340.00 (18.63)	318.76 (17.74)	382.21 (13.08)
(*i*) Iron and steel	147.09 (9.00)	237.60 (13.02)	217.14 (12.08)	242.56 (8.30)
(*ii*) Non-ferrous metals	119.64 (7.32)	102.40 (5.61)	101.62 (5.66)	139.65 (4.78)
(2) Food, cereals & edible products	242.68 (14 85)	169.31 (9.28)	128.29 (7.14)	528.79 (18.10)
(3) Complete machinery and equipment	195.12 (11.94)	199.37 (10.93)	176.42 (9.82)	263.87 (9.03)
(4) Essential finished goods	38.07 (2.33)	41.97 (2.30)	38.09 (2.12)	47.23 (1.62)
(5) Unclassified items including postal articles and special transactions	24.59 (1.50)	12.47 (0.68)	11.86 (0.66)	12.52 (0.43)
TOTAL:	1634.20 (100.00)	1824.54 (100.00)	1796.74* (100.00)	2920.91* (100.00)
			1867.44**	

*Figures are provisional.
**Denotes revised figures break-up of which is not available.
Note : Figures in brackets denote percentage of each head to total imports.

Source : Monthly statistics of foreign trade of India, Vol. II—Imports, published by the director general of commercial intelligence & statistics, Calcutta.

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TABLE IV

Region-wise and Country-wise Value of Imports, Exports (Including Re-exports) and Balance of Trade during 1972-73 and 1973-74.

(Value in Rs lakhs)

Region/country	1973			1974		
	Imports	Exports including Re-exports)	Balance of Trade	Imports	Exports (including Re-exports)	Balance of Trade
Africa	16506	10112	—6394	16726	10091	—6635
Kenya	632	550	—82	1742	1012	—730
Morocco	391	54	—337	860	86	—774
Zaire	740	45	—695	1180	19	—1161
Republic of Sudan	4580	2071	—2509	2193	1857	—336
Tanzania	2795	301	—2494	2897	686	—2211
United Republic of Uganda	113	184	+71	13	339	+326
Other East African countries	1222	320	—902	948	131	—787
Zambia	2841	472	—2369	3446	374	—3072
U.A.R.	2887	3172	+285	2590	1482	—1108
Nigeria	Neg.	965	—965	3	1124	+1121
North Amercia	34248	30394	—3854	60883	37356	—23527
Canada	10761	2820	—7941	11542	3078	—8464
U.S.A.	23487	27574	+4087	49341	34278	—15063
Latin Amercia	2324	428	—1896	5583	1208	—4375
Argentina (Incl. Atlantic Coast of Patagonia)	1803	77	—1726	4047	642	—3405
Brazil	121	49	—72	1088	224	—864
Peru	312	46	—266	3	59	+56
Other American Countries	20	218	+198	18	256	+238
East European Countries	23107	46973	+23866	39278	47806	+8528
Bulgaria	954	1866	+932	1380	1965	—585
Czechoslavakia	1591	4610	+3019	2653	4165	+1512
G.D.R.	1916	1511	—405	2483	2162	—321
Hungary	1492	1228	—264	1082	2378	+1296
Roumania	1355	1594	+239	1344	1516	+172
Poland	3624	4418	+794	4576	4886	+310
U.S.S.R.	11437	30482	+19048	24975	28379	+3404
Yugoslavia	738	1244	+506	785	2355	+1570
ECAFE Countries	40065	56805	+16740	66877	73080	+6203
Afghanistan	1603	1252	—351	1509	1500	—9
Australia	3355	2598	—757	4366	5039	+673
Burma	205	436	+231	7	154	+147
Bangladesh	346	16834	+16478	1689	5873	+4184
Sri Lanka	91	801	+710	91	979	+888
Malaysia	842	934	+92	3209	2408	—801
Hongkong	194	2014	+1820	167	3613	+3446
Indonesia	27	530	—503	41	2675	+2634
Iran	12198	2477	—9721	26758	4273	—22485
Japan	17853	21716	+3863	25557	35513	+9956
Newzealand	651	825	+174	821	1340	+519
Nepal	951	3507	+2556	1299	2889	+1590
Singapore	283	1784	+1501	971	4293	+3322
Thailand	551	568	+17	181	922	+741
Other Asian & Oceanian countries and antarctic and arctic regions	8429	7389	—1040	28136	13901	—14235
South Yemen P. Rep. of (Formerly Aden Incl. Protectorate)	98	261	+163	3	566	+563
Iraq	660	1098	+438	6124	1998	—4126
Jordan	431	250	—181	892	369	—523
Kuwait	2552	1495	—1057	7113	2086	—5027
Saudi Arabia	4484	1214	—3270	13135	2584	—10551
Dubai	6	801	+795	12	2124	+2112
European Common Market countries	57642	40772	—16870	68318	59431	—8887
Belgium	5104	3013	—2091	6552	4386	—2166
Denmark	307	568	+261	395	1390	+995
France	3985	4590	+605	6976	4859	—2117
Fed. Rep. of Germany	17258	6228	—11030	19573	8225	—11348
Italy	3594	4885	+1291	4908	6837	+1929
Ireland	1	695	+694	1	909	+908

1	2	3	4	5	6	7
Netherlands	3668	3539	—129	5432	7086	+1654
U.K.	23725	17253	—6472	24481	25839	+1358
European free trade area countries	3870	2780	—1090	5209	3195	—2014
Austria	296	105	—191	304	146	—158
Norway	516	265	—251	855	461	—394
Sweden	1893	1616	—277	2370	1406	—964
Switzerland	1165	793	—372	1680	1181	—499
Other European countries	533	1212	+679	612	1998	+1386
Finland	261	104	—157	410	211	—199
Spain	259	397	+138	181	1144	+963
Turkey	12	521	+509	20	384	+364
Total of all countries	186744	197083	+10339	291640	248322	+43318
Value of articles under refsrence	..	..	..	451	..	—451
Grand Total	186744	197083	+10339	292091	248322	—43796

Note : 1. Figures are provisional and subject to revision.
2. Totals may not tally with the grand total because of rounding of figures.

Source : "Monthly statistics of foreign trade of India" Vol. I and II brought out by the director general of commercial intelligenc and statistics, Calcutta.

TABLE V

Country-wise Exports (Including Re-exports) during the years 1971-72 to 1973-74 (Value in lakhs of Rs)

Country	1971-72	1972-73	1973-74	Percentage of each country to total export in 1973-74
Japan	18227	21716	35513	14.30
U.S.A.	26308	27574	34278	13.80
U.S.S.R.	20870	30482	28379	11.43
U.K.	16870	17253	25839	10.41
German Fed. Rep.	3710	6228	8225	3.31
Netherlands	1476	3539	7086	2.85
Italy	2422	4885	6837	2.75
Bangla Desh	4297	16824	5873	2.36
Australia	2800	2598	5039	2.03
Poland	1992	4418	4887	1.97
France	2421	4590	4859	1.96
Belgium	2433	3013	4386	1.77
Singapore	1760	1784	4293	1.73
Iran	1975	2477	4273	1.72
Czechoslovakia	3049	4610	4165	1.68
Hongkong	1579	2014	3614	1.45
Canada	3941	2820	3078	1.24
Nepal	2844	3507	2889	1.16
Indonesia	321	530	2675	1.08
Saudi Arabia	1113	1214	2584	1.04
Malaysia	1173	934	2408	0.97
Hungary	1552	1228	2378	0.96
Yugoslavia	2437	1244	2355	0.95
German Dem. Rep.	1797	1511	2162	0.87
Kuwait	1073	1495	2086	0.84
Iraq	1000	1098	1998	0.80
Bulgaria	1548	1886	1965	0.79
Sudan	5180	2071	1857	0.75
Roumania	1114	1594	1516	0.61
Afghanistan	984	1252	1500	0.60
U.A.R.	2307	3173	1482	0.60
New Zealand	1029	825	1340	0.54
Switzerland	767	793	1181	0.48
Nigeria	989	965	1124	0.45
Kenya	789	550	1012	0.41
Sri Lanka	2124	801	979	0.39
TOTAL (including other countries)	160822	197083	248322	100.00

Note : Figures for the year 1973-74 are provisional and subject to revision.

Source : Monthly statistics of foreign trade of India published by the Director General of Commercial Intelligence and Statistics, Calcutta.

By grace of CPI ?

THE DOCKERS have called off their strike, which had lasted four days, following a negotiated settlement of their demands by the government. Accord was also reached on the payment of outstanding nstalments of dearness allowance to central government employees who, consequently, nnounced an end to the agitation that they had been carrying over this issue. There re more than one reason why compromises could be pulled off in these two cases. It s generally recognized by now that the government could be firm in resisting demands r even in reviewing its obligations which it cannot meet without risking damage to its wn finances or to the economy of the country. It is equally clear that it would ummon all the strength and resources of the state when forced to deal with strikes which isrupt the functioning of the administration or dislocate services vital to the operaion of the economy or the life of the community. Secondly, even employees' organizations — in this case those of the central government staff or dock workers — have come to the conclusion that the resources of the country have already become so overstrained that there would not only be no popular sympathy with or support for sectional interests pressing their claims too stridently but there would even be popular pposition to the government surrendering to such pressures. In the third place, the PI, which seems to have acquired a vested interest in embarrassing Mrs Gandhi's party or government only up to a point but not beyond it, has apparently thrown in ts influence on the side of compromise in the recent negotiations. Significantly enough, Mr S.M. Banerjee was the main spokesman of the central government mployees while, in the case of the talks the Shipping ministry had on the dockers' strike, he contribution made by Mr Rajni Patel was openly acknowledged at the time the calling off of the strike was announced.

On the face of it the CPI's willingness to play a constructive part in helping to avert or settle industrial disputes should perhaps be recognized as an agreeable development. All the same certain basic issues of grave consequence for the future of the country will have to be discussed dispassionately in this context. It is no secret that many responsible observers of the national scene are becoming increasingly uneasy over the nfiltration of the ruling party by the CPI. Some of the leaders of this party seem to have the ear of the prime minister or otherwise to be enjoying her confidence to an extent which may well be the envy of stalwarts in her own party or the cabinet. Moreover, with every reshuffle of the cabinet, the physical presence of the fellow-travelling elements seems to be growing in some of the vital ministries. There are, for instance, more than one minister of state whose affiliations, not altogether a matter merely of their political past, tend to impart to Mrs Gandhi's administration a complexion or even policy attitudes which seem to belong more properly to the CPI. This is a bad enough situation in itself, but what makes it dangerously worse is that, for some time now, she has been steadily alienating herself and her party from the mainstream of the democratic forces and processes in our national life.

After all, this country has little to boast of for the 25 years or more it has been independent except that it has pledged itself to the preservation and promotion of the civil liberties of its citizens. It has been falling behind in economic development. It has much that is even elementary to achieve in terms of basic social progress. Political maturity remainsan aspiration for its people and is far from having become characteristic of its politicians. However, with so much yet to accomplish, it has nevertheless been making a bold attempt to see that the freedom of its people means more than the ending of foreign rule and becomes positive and dynamic in terms of a responsible government functioning through parliamentary institutions and under the rule of law. It cannot be claimed of course that it has been entirely successful in this process, for its rulers, unfortunately, have not always been true to their trust. Not only has the Constitution been amended over and over again to bring about a steady erosion of the rights guaranteed to the citizens by it, but even regular legislation has been stubbornly

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proceeding along lines which are leading to the abridgement of the protection or means of redress which individual citizens must have in a democratic community against abritrary exercise of state power by the government of the day.

Nevertheless there is still something like a continuing vigilance on the part of the people and it is this which is trying to ensure that India not merely remains the world's largest democracy on paper but also develops as a polity of men and women concerned to prevent any irreversible dilution of the democratic process. It is in these circumstances that more and more of us are beginning to worry that a party which has come to power in terms of a policy or a programme swearing loyalty to the democratic principle could allow itself and its government to be infiltrated by a political force which has other motivations and other goals. It is no small thing that even members of the prime minister's party who are less than four-anna members of even her own version of the Congress party, should lecture publicly to veterans of the historical Indian National Congress on what kind of speeches they should make from the party platform. The saving grace is that these would-be storm-troopers are only too apt to make fools of themselves. Thus, after the truly statesman-like Mr Jagjivan Ram had asked his partymen to be on guard against infiltration or infiltrators, those whom he had evidently made uncomfortable, found it necessary to make out that he was talking only in a general way about "undesirable elements." Who are these undesirable elements, may we ask? Could they be. for instance, men like Mr Ram Subhag Singh who decided recently to move into Mrs Gandhi's fold? It would be a sad day indeed if a political leader of the stature of Mr Jagjivan Ram were to be advised by the Shashi Bhushans of this world whom he should not attack or even if Mr Chavan were to be told whom he should.

Let us not however only grouse and grumble. It is indeed most encouraging that the prime minister entrusted the minister for Agriculture and Irrigation with the delicate task of settling the tricky issue of the arrears of DA for central government employees. Time was when it was thought that not a swallow would fall but that Mrs Gandhi had willed it so. It was assumed that not only all major issues of policy but also all major applications of policy should at some point or other be handled only by her. This excessive concentration of authority and responsibility has done good neither to her nor to the country. On the contrary, the contribution which even senior ministers could make to the competent functioning of government has been constantly frustrated. It would of course be too much to expect of Mrs Gandhi that she should nurse a successor, but she does have a minimum obligation to the people of this land to ensure that the administration does not have to depend excessively on the capacity, such as it is, of herself alone to govern. It is to be hoped that a beginning has been made in the healthy direction of calling upon senior members of the government to exercise adequately their resources of judgment or administration in dealing with significant affairs of state.

Interestingly enough, at about the same time as Mr Jagjivan Ram was dealing with the DA issue, the Finance minister, Mr C. Subramaniam, who had gone to Washington for an IMF discussion on the oil facility, had also taken advantage of his presence in the US capital to discuss US food assistance to our country. Until recen only a quantity of 300,000 tonnes of whe was being talked of as the extent of pr bable US aid for meeting our food sh tage in the current year. Had the Ame can contribution been finally limited this tonnage, the total international fo assistance would certainly have fallen short of our minimum needs. Fortunate American intentions seem to have be greatly liberalized and news reports fro Washington have indicated that Mr Subramaniam is in a position to talk terms of the availability of a million tonn of wheat from the United States. Thu with the Agriculture minister in a sen deputising for the Finance minister in Ne Delhi, and the Finance minister, again a sense, deputising for the Agricultu minister in Washington, the central ca net is setting up an extremely promisi practice of collective functioning of t cabinet not merely in an abstract politic sense but in effective operational terms

Fortunately, for the first time in so years, the central cabinet has in its econ mic ministries a fair number of ministe who have much practical good sense well as capacity for dynamic thinki The names of Mr Jagjivan Ram, Mr Subramaniam, Mr T.A. Pai and Mr K. Malaviya among cabinet ministers, a Mr D.P. Chattopadhyaya and Mr K.

Eastern Economist Annual Number 1975

This special issue, dealing with "inflation in the world economy," discusses in depth and detail the major economic developments and trends in recent years which have resulted in or contributed to the problems of economic stability, growth or development which the countries of the world face today. The economic situation in different parts of the world is described and analyzed and profiles are presented of a large number of national situations. India's own economic circumstances and prospects are viewed in the larger world perspective as well as in terms of its own specific problems and requirements. The annual number is illustrated with analytical and descriptive charts and statistical tables. Priced at Rs 15 per copy this special publication is on sale with leading booksellers and it can also be had directly from :

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t among ministers of state spring to
d as members of government clearly
ling and possibly able to assist the
me minister very considerably in revi-
g and otherwise improving the econo-
. With Mr P.N. Haksar in the Planning Commission we are inclined to be rather hopeful of the economic fortunes of the country. It is however up to the prime minister to get the best out of the human resources now available to her in the government.

A strike without sense

HE STRIKE by workers of the jute in-
stry beginning of January 6, 1975,
ruck a deadly blow to the capacity of
is industry to earn increased foreign
change for our country through en-
nced export of jute goods. With
emories of the 33-day strike in March-
pril last year still fresh, this industry
emed to be dogged by an ill-star.
therwise there was no convincing
ason for the workers to undertake a
rike so soon. And to crown all, even
e Indian National Trade Union Cong-
ss (INTUC)—a relatively responsible
ing of the trade union movement in
is country—had joined hands with other
nions in this regard. It may be recalled
at the INTUC was opposed to the
neral strike of last year. In an atmos-
here charged with the agitational ap-
roach, the INTUC felt, it seems, that
would be left out and might lose some
llowing among jute workers if it did
ot participate in the strike. So, it had
ken part in this strike not because it
as sure that this was the right or the
nly course open to workers but because
f tactical reasons,

The chief demands of the workers
cluded (i) increased bonus; (ii) revised
earness allowance as recommended by
e experts' committee; (iii) graded scales
f pay for time and rated workers; (iv)
nplementation of the Reddy Award
elating to *budli* workers; (v) the setting
p of fair price shops in mills; and (vi)
he fixing of the minimum price of raw
ite at Rs 250 a quintal.

Taking the last demand first, it was
ecessary to examine how far it would
e in the interest of the jute grower, the
vorker and the industry to fix the price
f raw jute at a level 100 per cent above recommended by the Agricultural Prices Commission (APC). A relentless campaign had in fact been conducted by the jute growers' lobby within the ruling Congress party as well as the leftist parties in favour of increased prices for the fibre. The Vice-Chairman of the CITU had recently suggested to the government that all raw jute purchases should be canalised through the Jute Corporation of India (JCI) and that the mills should not be allowed to enter the market. Even the JCI came under a barrage of criticism by the Krishak Congress which accused it of making purchases of raw jute from the middlemen, placing the growers entirely at their mercy.

A fitting answer to all this criticism had, however, been given by the central Commerce minister, Prof. D. P. Chattopadhyaya, in the Lok Sabha on December 4, last year when any increase in the price fixed by the APC was completely ruled out. The minister rightly argued that the APC represented the best available talent in the country in regard to agricultural economics and it was unthinkable that such a responsible body of economists would lay down a price without satisfying itself about the normal cost of jute cultivation in the major producing tracts in eastern India, Surely, the APC had taken into account the desirable cost-return ratio between jute and paddy, the minimum incentive necessary to stabilise the production of a commercial crop and the secular trend of international prices of jute goods while recommending the statutory minimum price of raw jute. Moreover, it would not be possible to always correlate the price of jute with that of rice, the latter being under pressure of increasing demand through increase in population. In the case of raw jute, the world price of the finished product was a more relevant criterion.

It is highly questionable if the present strike will in any way help the growers in getting a better price for their produce. With valuable time lost due to the current strike, the consumption of raw jute by the industry is sure to fall making its free market price drop further. The strike thus is bound to hurt the interests of the jute growers. The experience of the season ended in June 1974, had a clear lesson for the workers. Despite the purchase by the jute industry of 7.7 million bales of raw jute and ending the season with carry-forward stocks of 2.2 million bales—highest in the past decade—the raw jute prices did not look up, thanks to the unwise strike of the jute industry in March-April 1974. Surely, the poor jute growers need to be protected from the misguided moves of their so-called friends.

Regarding the demand of the workers relating to increased bonus and dearness allowance, the relevant criterion was the price which jute goods fetched in the international markets. Jute manufacturers had to face stiff competition from synthetics and any attempt to make them uncompetitive in the foreign market was likely to have unfavourable repercussions on both the jute industry and the jute growers. According to Prof. D. P. Chattopadhyaya, some synthetics were 100 per cent cheaper than jute goods even after a 400 per cent rise in oil prices. Also, in the first half of last year, the exports of primary tufted carpet-backing dropped heavily due to the competition offered by polypropylene. It demonstrated clearly that the profitability of the jute industry was dependent upon the world prices which were determined by the interaction of a multiplicity of factors.

Besides synthetics, the industry had to face competition offered by other countries such as Bangladesh. It may be noted that Bangladesh with its superior, automatic machinery was in a position to reduce its manufacturing costs. The Indian jute industry was not happily placed in this regard. In fact, any move to accelerate the pace of automation would be resisted by the workers. The industry was thus on the horns of a dilemma. With oft-repeated demands of nationalisation and suicidal strikes like the present one, the industry found itself extremely handicapped even to perform its legitimate function of managing the manufacturing units efficiently. The government of India could come to its succour through a reduction in export duties but being too fond of its pound of flesh, it took such steps only when the worst had happened. The recent relief provided in the export duty on carpet-backing was a typical example of the government deciding to act when the game was all but lost.

The cynics had even gone to the extent of blaming the industry for the frequent strikes of the jute industry, While deploring the strike of the jute mill workers, Mr. Chakradhari Agarwal, Secretary of the National Alliance of Young Entrepreneurs (NAYE), stated in a letter to the editor of *Financial Express* (January 12, 1975) that the industry was happy over the strike and that it should in its interest organise a strike every year. The jute industry, stated Mr. Agarwal, reaped a great financial benefit from strikes after paying off the comparatively negligible fixed overheads. It was a pity that even enlightened persons failed to realise the plight of the industry and did not hesitate to beat it with any stick which came in handy.

In the meantime, 250,000 jute workers in more than 60 mills had caused, through the strike, a loss in production of the order of 3,500 tonnes of jute manufactures a day. The country lost in foreign exchange earnings at more than one crore of rupees a day. In the 33-day strike of last year, our country had lost Rs 40 crores in foreign exchange earnings. The senseless battle between the industry and the workers must come to an end soon in order to cut out the unnecessary loss to the worker, the industry as well as the country. The government must play a fruitful role in bringing about rapprochement between the two parties because it was as a result of its economic policies that prices had risen steeply recently and had caused hardship to the worker culminating in the demand for increased wages and the present strike. The industry was being blamed as well as penalised unnecessarily for no fault of its own,

Engineering exports

THE MAJOR contributions to the impressive increase in our export earnings this year have no doubt been made by such items as sugar, basmati rice and textiles. But the rise in the exports of engineering goods too has not been insignificant. Our overall export earnings during the first half of the current financial year aggregated to Rs 1,518.14 crores, as against Rs 1,074.74 crores during the corresponding period last year. Expectations are that the total for the year as a whole would exceed Rs 3,000 crores. So far as engineering goods are concerned, their exports amounted to Rs 138 crores during the seven months to October—an increase of about 66 per cent over the figure of Rs 82.66 crores for the corresponding period last year. According to Mr B.V. Bhoota, chairman of the Engineering Export Promotion Council (EEPC), these exports may yield during the 12 months to March as much as Rs 260 crores—Rs 10 crores more than the target for the year. Mr Bhoota's optimism is based on the feeling that the shipments of short-delivery items will be considerably stepped up in the next two months.

There is no denying the fact that exports of engineering goods are picking up. They totalled Rs 180.1 crores in 1973-74 as against Rs 150.5 crores in 1972-73 and Rs 125.9 crores in 1971-72. The increase in the current year (1974-75) has of course. been sharpened to some extent by global inflation. Nearly half of the increase in exports this year has resulted from the higher unit-value of various engineering products and the other half by increased shipments of such items, as pipes and tubes, wire ropes, hand tools. bicycle components, diesel engines and electric fans.

The rise in exports of engineering goods this year, though encouraging" could have been even steeper had the industry not been facing severe power cuts and shortages of raw materials, Power cuts in the northern region alone have cost exports worth several crores of rupees. One industrial establishment—Gedo —alone is said to have been losing expo business worth Rs 20 lakhs per month f the last five months solely owing to pow cuts. During the early part of the yea shipping difficulties too hampere exports. If despite these handicaps, tl industry has been able to show a impressive performance, it is clear indication of the fact that o engineering goods are finding good acce tance abroad. In fact the recent trenc reveal that we have been able to step u significantly exports of several engineerin products to even such sophisticate markets as the United States and tl United Kingdom.

We obviously ought to attempt breakthrough in engineering goods export not only for further diversifying our export trade but also for stepping up foreig exchange earnings, which is absolutel necessary to provide a fillip to th economy. The Engineering Expor Promotion Council as well as the Asso ciation of Indian Engineering Industry fee that exports of engineering goods can we be more than doubled (to Rs 600 crores by the end of the current Plan period given the right policies.

The task that has to be attende to in the immediate future, apparently, is the fullest utilisation o the existing export potential of th engineering capacity in the country. A mentioned earlier, power cuts have been playing havoc with many engineerin units. State governments do not seem t have been co-operating with the centre even to the extent possible in ensuring that power is not denied to priority industries, such as those in the export sector. No doubt agricultural operations too require special consideration in the matter of adequate supply of electricity, but the power cuts on industry could have been imposed in a more rational manner than has been the case in many states. The sharp increases in the transmission losses over the last two years in some states, when the power situation has been very acute, again raise doubts about the authenticity of power supply statistics.

The second measure that can be taken in the interest of stepping up engineering ods exports in the short run is ensuring pplies of the right qualities of raw aterials, particularly steel, to the exporting units at the appropriate time. So far s supplies from the domestic source are oncerned, the production programmes f suppliers, the most important among hem being the steelworks, ought to be rganised in a manner most suited to the equirements of the country. It is difficult o understand why there should be undue delays in the execution of even firm orders. For guaranteed export production, allocations of steel and other metals, in fact, can be made in bulk, say, twice a year. Early during the current financial year, allocations are said to have been made on the quarterly—in some cases even on a smaller period—basis. Recently some improvement has been effected in steel supply procedures. But the situation can be improved a great deal further by attuning the steel production programme to the specific needs of the engineering industry in particular. In the case of imported materials, much depends on the availability of foreign exchange. Close co-ordination between the engineering industry and the import canalising agencies is called for so that the right types of materials can be brought in to the extent possible.

According to the Association of the Indian Engineering Industry, "the current credit squeeze has certainly thrown the exporters into disarry." Some relaxation has been effected in the squeeze recently for export-oriented units, but the problem is said to be still very much there. We can surely follow the Japanese example in this regard where too dear credit money policy is being followed. Scrupulous efforts are made there to see that the export units are not affected by credit stringency.

The grant of incentives is another area which should be periodically reviewed and adjusted to changing circumstances. For instance, steel prices abroad have gone down adversely affecting the competitive position of our exporters. At the same time incentives should not be chopped and changed in such a manner that pending export contracts or commitments are prejudiced. There are also frequent complaints from exporters that undue delays take place in the payment of cash assistance, import replenishments and duty drawbacks. In the present-day credit stringency, these delays can upset cash flows and impair production effort. They, therefore, ought to be avoided to the maximum extent. There is need also to reduce the number of agencies administering incentives.

Incidentally, the recent scaling down of the stipulation of 25 per cent added value to an exported engineering product to 10 per cent should help exports in the immediate future, though in the long run we have to concentrate more on exports of capital goods in the case of which the value added content in high.

If the target of raising engineering goods exports to Rs 600 crores by the end of the current Plan period is to be accomplished, the capacity of the industry will have to be raised substantially. The Mantosh Sondhi Panel has recently made many useful suggestions in this regard and also in respect of the various other aspects of exports of engineering goods. It, however, needs to be stressed that an organised effort in selected areas should yield much more wholesome results than a diffused effort over the entire industry. The expansion of the major exporting units needs to be facilitated by all means—through simplifying licensing procedures, according of priority in the supply of equipment and machinery to them, etc. The union minister for Industry, Mr T. A. Pai, too has recently done some loud thinking on the issue. One only wishes that he will be able to translate this thinking into concrete action expeditiously.

The impetus that the development programmes of the oil-rich nations are bound to get as a result of the massive inflow of petro-dollars and the tendency on the part of the developed nations to shed some lines of engineering activity owing to high labour costs afford an opportunity for a country such as ours to step up engineering goods exports. Our technology too is particularly suited to most developing nations of Africa, south-east Asia and Latin America. An in-depth study of the requirements of the developing nations, including the oil-rich countries, should throw up ideas about the strengthening of our engineering industry. Joint ventures in these countries can also be very helpful. So far as the advanced countries are concerned, we can export to them labour-incentive products in much larger quantities than has been the case hitherto.

To facilitate exports not only of engineering goods but also a large number of other items, concerted thought has to be bestowed on the organisation of shipping services. Many exporting units have been seriously handicapped in the recent past by the non-availability of shipping space. There are also several ports or trading areas of interest to us which are not being properly served by shipping lines. To obviate shipping difficulties, we ought to identify expeditiously the major potential export markets for our goods and efforts should be made by our own shipping lines to fill the gaps in a systematic manner.

Halt the squeeze

THE DEVELOPMENTS in the current busy season so far are in strong contrast with those of the 1973-74 season in the corresponding period and the question is being asked in money market circles whether the adjustments to the new situation arising out of world inflation and an accentuation of inflationary pressures within the country have been completed and the banking system can hope to meet the needs of its constituents in 1975 more comfortably. It is difficult to express any definite view having regard to the convulsions in the money market in Britain, France, Italy and the serious difficulties experienced by industrial giants such as British Leyland and Burmah Shell, in finding the required funds for implementing new schemes and improving the ways and means position. In some other countries such as the USA and West Germany a policy of reflation is thought necessary though there is no confidence that earlier remedies for combating recessionary trends can have the same effect in the new context. The faith in dearer money is diminishing and interest rates are being lowered in the developed countries.

The situation in India, however, is vastly different and the serious phase of imported inflation was encountered in the second and third quarters of 1974 when there was an unprecedented rise in bank credit for meeting the needs of oil companies and facilitating costlier imports of fertilisers, non-ferrous metals and other items. It is only in the last quarter of 1974, which incidentally coincides with the first quarter of the current busy season, that the increase in demand for funds from industry and trade on the scheduled commercial banks has been less than 50 per cent of the quantum of the same quarter in 1973-74 season with advances rising by only Rs 208.50 crores against Rs 459.57 crores.

While it is not clear what will be the extent of increase in demand with a liberalisation of credit controls, there is evidence to suggest that the industries mainly affected by an inflation in prices in the international markets have got over the hump and the working capital requirements on the new basis have been largely found with a postponement of the implementation of expansion schemes, the acceptance of deposits from the public and even issues of additional capital in equity and preference shares or debentures wherever they are considered desirable or feasible. This is not to say that the credit squeeze has not had a harmful effect in some directions or that particular units are not having special difficulties. There are even now reports about many sugar, tyre, textile and petrochemical units experiencing an acute shortage of working capital and current production has had to be reduced significantly in order to prevent financial bottlenecks from getting worse. With the Tandon Committee completing its investigation of the method of building up inventories by industrial units and the efforts that are being made to evolve a proper relationship between the level of inventories and the volume of turnover it should be possible to find out to what extent the denial of credit is having an inhibiting effect on production. An expert assessment is certainly needed for formulating scientifically credit controls and making sense of the assurance given by the prime minister recently in Bombay and the repeated statements by the Industries minister that credit controls will not stand in the way of boosting production.

It may however be broadly stated that, with a pumping in of credit of about Rs 100 crores additionally, the difficulties of individual units could be eliminated insofar as working capital needs are concerned. An analysis of the data published by the scheduled commercial banks in 1974 shows that the increase in advances between December 28, 1973 and December 27, 1974 was only Rs 951.26 crores against as much as Rs 1392.36 crores.

What is really significant is not the net decline of Rs 441 crores in the growth in advances in 1974 as compared to the previous year but the absence of any big increase as compared to 1972 having regard to the rise in prices since then. It may, of course, be said that a smaller demand for procurement finance has been responsible for the smaller expansion of aggregate bank credit. But advances for procurement purposes were lower by only Rs 139 crores as compared to the last week of December 1973 indicating that the increase in assistance to borrowers in the priority sectors and others was Rs 302 crores less than in the previous year. Even granting that the credit squeeze exaggerated the deceleration in the growth of advances by Rs 100 crores, the net reduction is still sizeable at Rs 239 crores. This process might have been facilitated by the acceptance of deposits on a large-scale by industrial units which had unfulfilled quotas. Here again, the gap could not have been met fully by the drive for mobilising deposits.

It will not be incorrect therefore to presume that the correction to the new situation has been largely completed in many sectors and that, unless there is a continuance of the galloping rise in prices witnessed in recent months, credit liberalisation may not create serious problems. It is of course difficult anticipate what will be the trend prices for agricultural commodities a manufactured goods in the com months. But with expectations of bu per rabi crops, a satisfactory cot crop and a fairly high level of su output, the net rise in prices in current year may not be more than per cent if the drive for boosting ind trial production also yields good resul If these expectations turn out to correct the fresh growth in bank cre in 1975 may not be more than Rs 1,0 crores. As banks can hope to mobil at least Rs 1,500 crores and reverse t retrograde trend noticeable in 1974 respect of additions to bank deposits t monetary authorities need not be u necessarily squeamish and accentua stagflationary pressures by persisting unhelpful credit controls and hi interest rates.

In view of the disappearing abnorm lity in certain directions and the gener feeling that credit controls should b administered more meaningfully th cash reserve ratio should be reduce from four per cent to three per cen before the middle of February in orde to enable banks to avoid borrowin on a penal basis from the Reserve Ban during the peak of the season and hel constituents also to meet their commitments when advance tax payments become due in the middle of March. Th union Finance ministry should als not hesitate to abolish the levy on th gross income of banks derived throug advances. Both these measures hav been mainly responsible for the sharp rise in lending rates in the past year. With the retreat from dearer money taking place in western countries and the distortions in the structure of interest rates in this country brought about by an uncoordinated rise in lending rates of even leading banks, the time has arrived for reviewing thoroughly the operation of credit controls and the impact of high interest rates on production and manufacturing costs. If the Reserve Bank can adopt a helpful policy, the hardships experienced by borrowers even when making a sincere effort to boost production, can be easily eliminated.

ROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Drugs and Cosmetics Act Amendment • Steel Output • Polish Offer of Assistance

HE HIGH cost of medicines and the owing menace of spurious and substandard drugs have attracted a good deal attention in the recent past. During the st thirty days alone, the matter came up r deliberation here twice. On December and 22, the Institute of Socialist Studies, ew Delhi, organised, in collaboration ith the Centre for Socialist Research, adras, and the Forum of Socialist udies, Bangalore, a national convention n economic independence and perspective of drugs industry. More recently, on anuary 17, the Consumer Council of dia organised a seminar on the problems f spurious and substandard drugs. The fficial patronage extended to both these ccasions — the seminar of the Consumer ouncil was inaugurated by President akhruddin Ali Ahmed and addressed mong others by the union minister for ealth and Family Planning, Dr Karan ingh; the convention of the Institute of ocialist Studies had close association of he minister of state for Petroleum and hemicals, Mr K.R. Ganesh — is indicative enough of the deep concern of the nion government over the two issues.

ust concern

The concern, of course, is not misplaced, or despite the fact that the vast masses n the countryside invariably have to do without medicines, even though the manufacture of drugs has recorded an impressive increase from a bare Rs 10 crores in 947 to as much as nearly Rs 400 crores n 1974, approximately 20 per cent of the production has been found to be spurious r substandard. On many occasions, the drugs and medicines administered to patients have not only proved ineffective but also deadlier than the disease sought to be cured. So far as prices — especially of life-saving drugs — are concerned, they are found to be prohibitive by all except the very affluent fraction of our society. Any concrete programme to eradicate the evil of spurious and substandard drugs and to bring down the prices of life-saving medicines, therefore, is bound to receive wide support.

In his keynote address to the seminar organised by the Consumer Council of India, Dr Karan Singh indicated that the Drugs and Cosmetics Act was proposed to be changed soon, on the lines of recent amendment to the Food Adulteration Act, with a view to enhancing its penal provisions. The punishment for the manufacture of spurious and substandard drugs might be raised even to life sentence. Further, it was proposed to set up combined food and drugs testing laboratories in all parts of the country.

welcome measures

The proposed enhancement of the penal provisions of the Drugs and Cosmetics Act and the spreading of the network of testing laboratories, indeed, are welcome measures. But what is needed more is a thorough overhaul of the enforcement machinery. The working of this machinery has left much to be desired in the recent years. The inadequacy of the strengths of the enforcement directorate at the state levels is responsible for this to a great extent. But there are also other too well-known reasons which have eroded the authority of the enforcement staff.

The most effective way of tackling the problem of spurious and substandard drugs, however, is the augmenting of the production of quality drugs and making them available at reasonable prices to the consuming public. Two important steps have been suggested by the above convention and the seminar. One is the bulk production of the most essential drugs — some 150 in number — and drastic reduction in the number of formulations which currently run into over 20,000. The second is the making of packaging simple and less expensive. In view of the capital-intensive nature of the industry, the public sector obviously will have to play a crucial role in augmenting bulk drugs manufacturing capacity.

Opinions, of course, differ on banning of the use of brand names for drugs and encouraging the adoption of generic names as well as on the nationalisation of foreign drugs producing concerns. The latter step was advocated by the Institute of Socialist Studies in its December convention. The use of generic names of drugs on a wide scale, it is pointed out, may create confusion, as has happened in Pakistan recently. This process, therefore, has to be only gradual. The nationaliation of foreign drugs and pharmaceutical companies operating at present in the country, similarly, may create problems for the simple reason that it might adversely affect production which has to be stepped up.

A very interesting suggestion has been thrown up by Dr Karan Singh for the distribution of drugs in rural areas. Instead of the rural folk traversing long distances to the primary health centres, he has suggested that an organisation should be set up from which para-medical staff could take some 50/60 essential drugs, including the well-tested unani and ayurvedic drugs in a kit on bicycles to the rural people. This, he feels, could take care of nearly 90 per cent of the prevalent maladies in the countryside.

constructive suggestions

In pursuance of the suggestions of the Consumer Council's seminar and the convention of the Institute of Socialist Studies, the minister of state for Petroleum and Chemicals Mr K.R. Ganesh, is understood to have called a high-level meeting of officials, including the Director-General of Health Services, the Central Drugs Controller and the Director-General of Technical Development, by the end of this month to discuss and finalise steps for enforcing sale of drugs at labelled prices to consumers. A thorough review of the pricing formula for drugs is also said to be under way. The government, it is learnt, is thinking of limiting price control to some 50/60 very essential drugs only so that it can be effectively administered.

* *

The last year's setback to the production of saleable steel is expected to be more than made up during the current financial year. In the nine months to December last, the five integrated steel plants at Bhilai, Durgapur, Rourkela, Jamshedpur and Burnpur yielded an output of 3.536 million tonnes, which was higher by 300,000 tonnes compared to the production in the corresponding period of 1973-74. The 1973-74 production — 4.353 million tonnes — had fallen short of the previous year's output by 440,000 tonnes. This year, the five steelworks may yield nearly five million tonnes of seleable steel — a record output. This optimism is based on the fact that for the seven successive months since May, the monthly average output has exceeded 400,000 tonnes. In December, it touched 425,000 tonnes. The December production would have been higher had the Durgapur unit's blooming and merchant mills not been undergoing capital repairs.

All the integrated steelworks have been showing improved operations this year. Even the Burnpur plant has registered significant increase in production — from 23,000 tonnes in May to as much as 42,000 tonnes to December. The December output at Burnpur has been the highest since this plant was taken over by the union government nearly two and half years ago. Plant-wise production of saleable steel during the first nine months of the current financial year has been: Bhilai 1,236 million tonnes; Durgapur 385,000 tonnes, Rourkela 568,000 tonnes, Jamshedpur (TISCO) 1.058 million tonnes and Burnpur (IISCO) 290,000 tonnes. During the whole of 1973-74, the output had been as follows: Bhilai 1.682 million tonnes; Durgapur 377,000 tonnes; Rourkela 736,000 tonnes; Jamshedpur 1.2 million tonnes; and Burnpur 358,000 tonnes.

The increase in output this year has resulted from a significant improvement in the supply of power as well as petroleum products. Railway transport to and from steel plants too is said to be much better. The labour situation also has improved considerably. But the supply of coking coal and refractories is understood to be still causing some anxiety. To ease the situation, while imports of refractories are being planned on a priority basis, close liaison has been established between the departments of steel and coal to ensure adequate supplies of coking coal. Concerted attention is also being paid to the maintenance of plant and equipment.

Production of hot metal at Bokaro too is picking up fast. In December, it was of the order of 74,810 tonnes — nearly 91 per cent of the rated capacity.

This year's encouraging trend in the outputs of all the steelworks have raised hopes in the steel ministry that the target of raising the overall production of saleable steel to nearly 10 million tonnes by 1978-79 would be accomplished. At present, the five integrated steel plants producing saleable steel have a capacity to yield 6.5 million tonnes (8.9 million tonnes ingot steel). The Bhilai project is being expanded from 2.5 million tonnes ingot steel to four million tonnes. Bokaro would have been expanded by 1978-79 to yield 4.75 million tonnes ingot steel. So the capacity would have been augmented by the end of the current Plan to about 15.15 million tonnes ingot steel, equivalent to 11.9 million tonnes saleable steel.

production build-up

Taking into consideration the production build-up envisaged at Bhilai and Bokaro after the commissioning of their expansion schemes, the ministry feels that about 8.8 million tonnes finished steel production can well be expected in 1978-79 from the six major steel plants. The electric arc furnaces are anticipated to yield by then another at least one million tonnes. Including the output of these furnaces, production of saleable steel this year may exceed 5.5 million tonnes.

The country, thus, is expected to attain the goal of overall self-sufficiency in mild steel by 1978-79. Some imports of certain categories of steel, of course, may have to be effected even then. But correspondingly there would be some categor whose production would be in excess demand. This excess production wou be exported.

* *

The Deputy Prime Minister of Polan Mr Jan Mitrega, who is here to attend t second session of the Indo-Polish joi commission on economic, trade, scienti and technical cooperation — the fi session of this commission was held Warsaw in November 1973 — has off red a wide range of assistance for d veloping our coal, shipping and fishi industries as well as scientific researc He has also indicated that his country w interested in importing from here larg quantities of both traditional and no traditional items, particularly textile engineering products and leather good Indian goods, he is understood to hav told the first meeting of the joint commi sion on Monday, enjoyed a good reput tion in his country for their appropria levels of prices, quality and delivery sch dules.

The Indo-Polish trade, which was ant cipated to go up to Rs 200 crores in 197 however, might show an improvement c about 70 per cent over the 1973 figure c Rs 84.7 crores. Though the target coul not be achieved, the increase in trad in the last calendar year is considere satisfactory. This year the trade relation between the two countries are expecte to receive further fillip with the Minera and Metals Trading Corporation and th Electronics Trade and Technical Develop ment Corporation opening their offices i Warsaw.

Eastern Economist 30 Years Ago

JAN. 30, 1945

Exactly one year ago when the country lay dazed in the grip of intense political frustration and an unprecedented economic crisis in the shape of acute famine and inflationary conditions, eight industrialists from Bombay, who were apparently doing some hard and sober thinking, sprung upon the country their first memorandum on a national economic programme, which has since come to be known as the Bombay Plan. The first memorandum at once caught the imagination of the country by its sweep and daring and attracted widespread attention all over the world. Truly it could be said that the memorandum set the pace for economic thinking in this country and imparted to it direction and purpose. But the first memorandum had only set the problem of production in its correct proportions and economic bearings while the crucial question of the structure of planned economy — in short, the question of distribution, the role of the State and the organization of the economic system — were purposely left out for a later manifesto. It is true that ends and means are not easily separable even for purposes of economic analysis and the procedure of the Bombay planners in first setting out the targets or ends before the means could be seen in the totality of their relationships, was slightly unfortunate. For it gave many unconstructive and carping critics a convenient handle; and especially those who had not the competence to study the Plan at a technical level could be led away with such sloganized attitudes that the Plan was intended to make the rich richer and the poor poorer.

POINTS OF VIEW

Assault on the principle of first mortgages

S. Narayanaswamy

THE SICK Textile Undertakings (Nationalisation) Bill, 1974 has been passed by parliament and is intended to convert into government property the several sick mills taken over. In doing this, the owners of the sick mills are to be paid quite measly compensations —which is presumably some kind of punishment meted to those who failed to manage the mills properly. However, making payments which leave the owner with a sense of overall deprivation is to fail to recognize their having taken the trouble or risk of entrepreneurship. This might make them stay away from similar industrial promotions in future, considering that queer and unpredictable developments have, in many cases, landed some mills in losses and not necessarily identifiable inefficiency. The meagre compensations proposed can only be counter-productive of entrepreneurship.

What is important and crucial are the priorities accorded to payments of dues by the sick mills. In the first instance, amounts due to the National Textile Corporation and the state-level textile corporations, where such exist, are to receive their dues. Other payments made by banks after the take-over are to get similar priority.

low valuations

It is after these payments are made that the financing institutions which are mostly state-level finance corporations and which have lent money long-term on the first mortgage of the assets of the sick units, are to be paid their dues. The low valuations fixed for the sick industries makes the totality of such payments look rather expropriatory.

But when first mortgage-holders are by a sweep of the special statute to be made low priority recipients you throw the concept of first mortgage to the four winds. What are the criteria that the term-lending institutions adopt for giving term loans to industries when what they dole out is in fact public money? First mortgage is the most fool-proof way of lending money—and only 50 per cent of the market or invoice value of assets is lent—which normally left abundant cover for the institutions.

It is now learnt that, in several cases, the institutions which have with praiseworthy diligence built up reserve funds over the years and indeed decades, are now being called upon to write off their reserve funds consequent on their being paid meagre or nil amounts out of the first mortgage loans advanced by them to the sick mills.

woe-begone state

This will abridge, where it does not cripple, the capacity of term-lenders to be of use to local industries which have, thanks to the woe-begone state of the capital market, started leaning more heavily on term-loans to finance their projects. The government of India at the highest level seems to hold the view that institutions can afford to write off huge sums—while the concept of First Mortgage can go by the board. This is an erroneous and short view to take because what is important to examine is what is the area of industrial financing undertaken by these corporations and how would the contraction in their already none-too-plethoric resources affect their capacity to help industries.

In the case of Tamil Nadu, the Tamil Nadu Industrial Investment Corporation has served the industrial community very well, functioning as a public joint stock company from the very beginning and handling term-financing in a creditable way. In the last one year, the TIIC has extended the area of its operations spectacularly, as can be seen from the table given alongside.

The amount disbursed in April/Nov. 1974 (8 months) was Rs. 470 lakhs against Rs 180 lakhs in the same period last year —an increase of over 160 per cent over the previous year bespeaking both the quickened pulse of entrepreneurail effort and institutional support therefor.

It does seen grossly unfair that in the overweening zeal for nationalization of sick mills, basic concepts as to property and institutional usefulness to the entrepreneur should be disregarded. The advances made to the three textile units in Coimbatore which are under take-over amounts to about Rs 2 crores in all. Out of this, a sum of Rs 160 lakhs represents the amount that the TIIC is called upon to write off. This is the outcome of the altered status of the TIIC as residual creditor of low priority, thanks to the Bill. This will wipe out its entire reserve fund of Rs 1.52 crores built up over quarter of a century and encroach on the paid-up capital of TIIC for the balance. The capital of TIIC is held by government of Tamil Nadu (60%), by IDBI (25%), by government of Pondicherry (5%) and by LIC and nationalized banks (20%). TIIC is spelt out here only as a case-study because there must be other state finance corporations as in Andhra, Gujarat and Maharashtra which are placed in an equally infelicitous position —and they must feel a similar sense of expropriation. The institutions being government-sponsored or owned may not care to agitate the matter nor let off a horrendous squeal but the government of India need not wait for such open remonstrances before reviewing the whole question as to whether it is either financial statesmanship or an act of prudence to weaken institutions whose utility and proved capacity to act as

TIIC Operations

Particulars	April to November	
	1973	1974
No. of applications received	178	993
Amount of the applications (Rs in lakhs)	823	2842
Amount of the assistance sanctioned (Rs in lakhs)	335	886
Amount disbursed (Rs in lakhs)	180	470
Percentage of assistance to small-scale industries	28	45
Percentage of assistance to units in backward areas	54	48

pulse-quickeners of industrial build-up has now been acknowledged on all hands.

It would be callousness to hold the view that reserve funds are built up to be written off at the behest of the central government or to say that these bodies can afford the loss. It is doing an injustice as much to potential industrial promoters—who are frequently and rhetorically appealed to—as to the institutions that are called upon to confront these losses.

There is a peculiar irony in the fact that the last two years have been years of unprecedented boom for the textile mills—robust as well as sick. The Tamil Nadu Textile Corporation reported a profit of just under Rs two crores for the last financial year as a result of the operations of the sick mills under its care. If the mills had continued under private management, they would perhaps have shown equally good if not better profits, which would have enabled them to clear the dues in major part to the TIIC. On more than one occasion, the TIIC was on the brink of enforcing its mortgage rights through foreclosure and sale, which would have got them back their full money but the state government's anxiety to give a chan to the mills to work even under t umbrella of default of dues to the TII by reason of the employment implicatio made the institution hold over any su drastic action. What is now happeni is a churlish way of repaying them f the consideration shown by them to t sick units.

In view of the adverse financial repe cussions of the Bill on institution would the government of India r examine the relevant provisions of t Bill in the interests of the growth development banking in the country?

Economics of coal-based fertilizer plants

N. Mahalingam

THE NEED to explore the possibility of producing fertilizers increasingly on domestic sources of coal is strongly felt. An acute shortage of naphtha in the international market, coupled with very high prices, presages a critical period for the fertilizer industry. The demand for naphtha during 1976, taking into account the needs of the different plants either operating or under construction or to be set-up, is projected to be around 3.5 million tonnes and may even go up to 4.27 million tonnes by the end of the fifth Plan. Of this, a sizeable quantity will have to be imported at a price which we can hardly afford to pay. Having realised the limitations in the use of naphtha, the Planning Commission recently has accepted the new strategy for the establishment of coal-based fertilizer plants.

The fertilizer industry in India started using different feedstocks—electrolytic hydrogen, gasification of wood, natural gas, lignite, coke, coke-oven gas, refinery gas, fuel oil, naphtha—to produce nitrogenous fertilizers depending upon the development in the fertilizer technology and supply positions of the feedstocks. In the early stages the industry started with electrolytic hydrogen and gasification of wood. Later natural gas was used and due to limited availability, other feedstocks like coke and coke-oven gas were used. At present, naphtha occupies a prominent place as the chosen feedstock. It is expected that naphtha will lose its position with the development of additional capacity in the country. The future of naphtha availability is limited and it is expected that even if the refining capacity is developed to a level of 39 million tonnes by the end of the fifth Plan, there would be a deficit in the availability of naphtha to meet the requirements of the fertilizer industry. This condition necessitates the need for diversification in the use of feedstock with an emphasis on self-reliance.

It is therefore appropriate that the Planning Commission has accepted that coal is a useful source for the production of nitrogenous fertilizers chiefly ammonia. Apart from the considerations of self-reliance, the use of coal may provide additional advantages in terms of employment potential in mining, transport, etc. In a country where there is abundance of labour, providing more employment opportunities to hundreds of thousands of people will have a positive impact. Secondly, in the context of steep rise in the price of crude oil and consequently other petroleum products, the economics of the manufacture of fertilizer may also tend to favour the use of coal which is available in plenty in our country. Thirdly, there is tremendous saving in the total foreign exchange in a coal-based plant.

The Planning and Development Division of the Fertilizer Corporation of India as early as in 1966 indicated the danger of the shortage of naphtha and pleaded for alternative feedstocks, chiefly heavy fuel oil, and also pioneered the idea of coal-based plants. A good deal of spade-work undertaken for a coal-based plant in 1964 itself was however give up due to some unknown reason. Apa from wasting nearly Rs 2 crores or s the decision made at that time deprive the country of the chance of becoming th leader in the coal-based fertilizer industry.

Lately the government has seriousl felt the necessity for establishing coa based plants in the country. Thre coal-based plants are under implementation at Talcher, Ramagundam an Korba. The plant at Talcher with a capita investment of Rs 140 crores, one-third o it in foreign exchange, will produc annually 495,000 tonnes of urea. Techn Export of Czechoslovakia, Montedison of Italy, Koppers and Lurgi of Wes Germany will supply necessary equipments. Similarly units at Ramagundam and Korba will produce individually 495,000 tonnes annually. Plants a Talcher and Ramagundam are likely t start commercial production by January 1976 and plant at Korba may go on stream by the end of 1978.

The Planning and Development Division of the FCI has prepared feasibility reports for three more coal-based fertilizer plants in the country. The sites selected for these plants are Margherita in Assam, Gidi in Bihar and Kamptee in Maharashtra. Dr S. K. Mukherjee, director of FCI is of the opinion that our plans for fertilizer production will have to remain flexible so that "in the medium-term a change-over from petroleum feedstocks to coal is ensured". According to his estimation, during the th Plan period the demand for nitro- nous fertilizers would increase to 12 llion tonnes and the attainment of is increased capacity would necessitate e setting up of 15 plants based on coal, ch designed to produce 1500 tonnes of nmonia per day.

As the country has nearly 50,000 mil- on tonnes of noncoking coal reserves, roducing 30 million tonnes per annum dditionally to meet the requirements of ese 15 plants at an average of two million nnes of coal per plant per year would ot be a difficult task. The situation is ch that there is no alternative to mas- ve investments for coal-based plants as ternational market conditions would ermit us neither to import nitrogenous rtilizers nor foodgrains to match our quirements. The utilisation of coal oses a serious challenge and it is hoped at the experts through their concerted ction would meet the challenge and evelop the technology of coal-based lants.

Despite the fact that fertilizer plants ased on coal would appear to be most suitable from the point of view of self-reliance, there may perhaps be limitations in planning substantial further capacity on coal to meet the immediate requirements. In the first place, there is the problem of transport particularly when the volume of coal that goes into the manufacture of fertilizer is larger than the quantum of fertilizer produced. Second, the supply of coal in adequate quantity and at proper time depends mainly on the development of new mining facilities which would involve longer time schedule and high capital investment. Third, technical experts feel that fertilizer plants based on coal may have to face a lot of constraints such as high investment, large maintenance costs, increased operation costs and severe down-time. Further, the technology of direct gasification of coal has not been developed in India. Pollution is another area which needs careful attention by experts. Finally, it may be pointed out that West Germany and Britain, known for abundant deposits of coal, have not yet succeeded in economically operating coal-based fertilizer plants.

The production of nitrogenous fertilizers with coal as the basic feedstock requires innovations. The technology of coal gasification for ammonia production has not been developed appreciably in our country. Since the type of coal available in our country is of low grade with medium to high ash content, the problem that the fertilizer plants will face is that of dust in the gas. The process of filtering and removing the dust is complex which our scientists will have to perfect. In the USA, the Office of Coal Research (OCR) has invested millions of dollars over the past 20 years in intensive research on coal gasification and has made remarkable advances in gasification processes. We should avail ourselves of the most recent US advances in coal-based fertilizer plants. The government should not hesitate to come forward with a scheme of developing the research in the field of gasification of coal through financial and other assistance from abroad. If the technology of coal gasification develops, ammonia plants based on coal will reduce the fertilizer gap to a large extent.

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WINDOW ON THE WORLD

In and around Pacific Asia–I

V. Balasubramanian

AT THE Kuala Lumpur office of Pan Am where I had gone in the third week of December last to re-confirm my reservation on a flight from Bangkok to Tokyo which I was to take some days later, a communicative young man at the ticket counter advised me to make sure then and there of my reservation for the return journey from Tokyo as well. He warned me that, if I left it to the last, I might find it difficult to get a booking for this journey on any of the five days preceding New Year Day, since all of those very many international flights out of Japan in various directions by different airlines were already almost fully booked. It was as well that I accepted his suggestion for, on Christmas day, when I was leaving Tokyo for Hong Kong, I found Pan Am's wide-bodied jet chock-full of Japanese tourists, largley male and mostly in their late twenties or early thirties, on pleasure beat in the week ahead.

I must say that, having earlier spent a few days in Japan, I was not surprised at this. For all the talk that there had been of that country's nil or negative economic growth in 1974, it had been clear enough on the streets of Tokyo that lots of Japanese still had lots of cash to enjoy themselves with as they entered the New Year of the Rabbit leaving behind the old Year of the Tiger.

Battered as their economy is by the high cost of imported oil and the general inflation complicated by the excessive increase in food prices and recession in some of the basic as well as many of the growth industries, the Japanese people still clearly have nearly enough money to spend on a proper celebration of the traditional rituals of the new year. This is primarily because of a certain principle of minimum security for the wage-earner which seems to be an in-built feature of the employment scene in Japan. Although production has been cut in many areas of industry and there have been a number of cases of individual businesses closing down, the 40 million Japanese men and women in regular employment have been largely spared the harsher inflictions of retrenchment or lay-off and consequently the grosser penalties of downright unemployment. The axe has fallen mostly on over-time work or part-time employment of school boys or housewives. This means that, while earnings familywise may have suffered reductions the number of people thrown out of regular employment has been kept to the minimum. As a result, the economic and social strains and stresses of Japan's stagflation have been considerably mitigated.

Again, the bulk of the community's purchasing power, normally available for spending on essential or even semi-luxury goods, has been largely spared. Although leading department stores in Tokyo were complaining that they were doing poorly in the year-end sales, many of them still expected their turnover to be at least 10 per cent higher than in the comparable period of last year. Although prices had gone up by at least 20 per cent over the year, items such as food articles, soap and other goods for every-day household use were still showing fairly good sales. Consumer resistance, in other wor was mainly selective in nature. Win clothing, furniture, electric applian and gift articles were moving rath slowly. Even so, trade circles were n unhopeful of clearing the stocks of su items once they went on discount sa after the new year-eve shopping was ov

Japanese eat better

Years of prosperity have trained t Japanese to eat better and better. T is a trend which is not easily reverse Hence, although food prices have be rising steeply, the average Japanese h preferred to spend more on food even the cost of having to spend somewh less on a few other luxury or semi-luxu goods, or on purchases which could deferred or delayed. This attitude on t part of the Japanese consumer has nat rally affected the textile industry whic incidentally, has also been having difficult time in overseas markets.

Rather more spectacular has be the adverse impact of consumer resistan or indifference on the colour television i dustry in the case of which domestic sal have declined by about 28 per cent comparison with sales in 1973. The ps chological shock to this industry proba ly is greater than the physical or financi setback, for this is the first time sinc colour television sets began to be ma keted in 1960 that there has been a yea to-year decline in sales. All the same, is a fact that the industry did manage t sell nearly five million sets to domesti viewers in the course of 1974 and, al though Matsushita Electric Industria Company, Japan's biggest colour TV maker, began trimming production by 1 to 15 per cent from May onwards, it wa not till the very closing weeks of the yea that shops in downtown Tokyo seeme to have started thinking in terms of discount sales or announcements offerin colour TV sets for 200 US dollars.

Actually, despite the sharp slump i the growth of the GNP from a well-established average of more than 10 per cen over a period of years to minus 0.2 pe cent in 1974, the Japanese landscape presents a mixed picture rather then an appearance of general gloom. For instance, Japanese steel has continued to enjoy a

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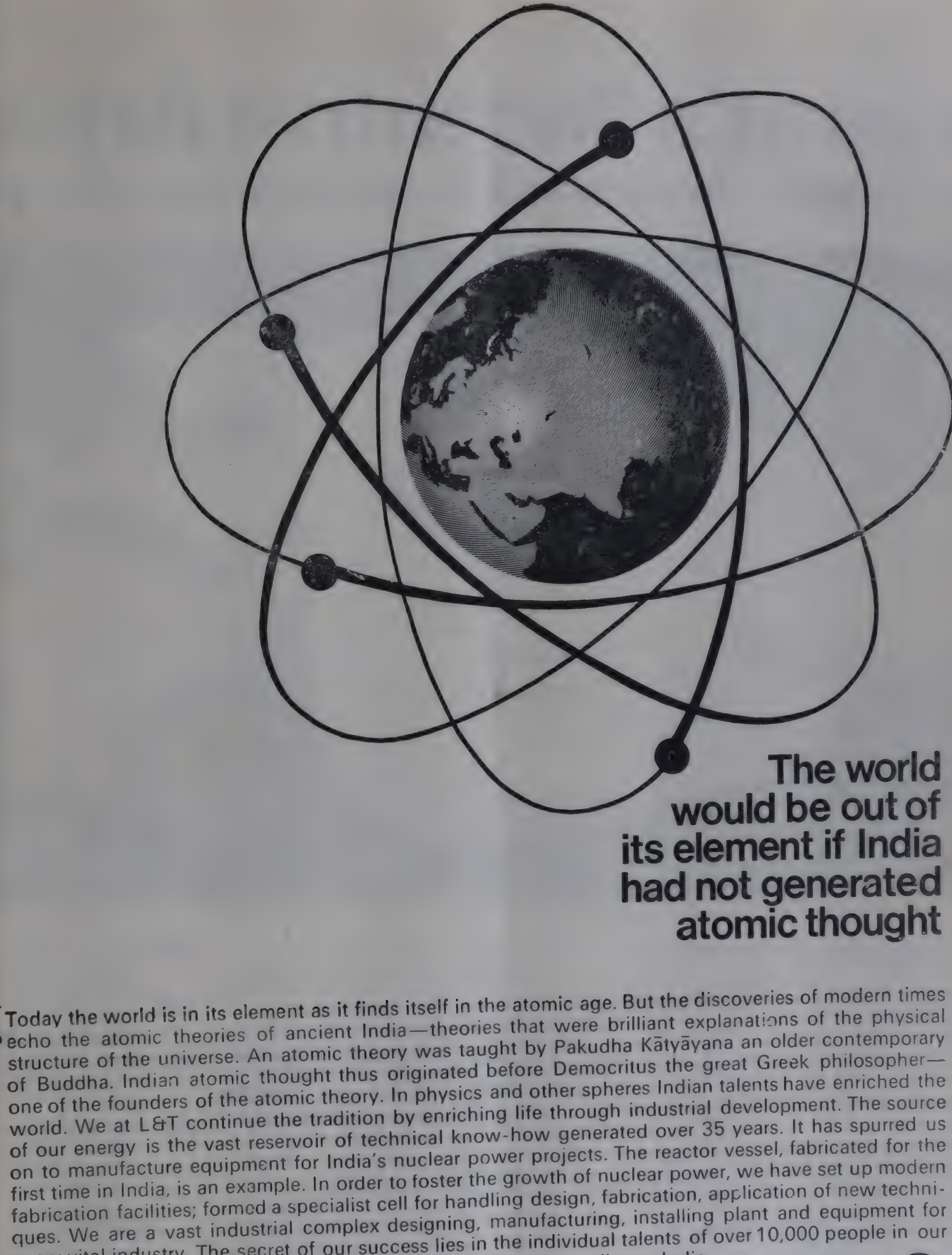

The world would be out of its element if India had not generated atomic thought

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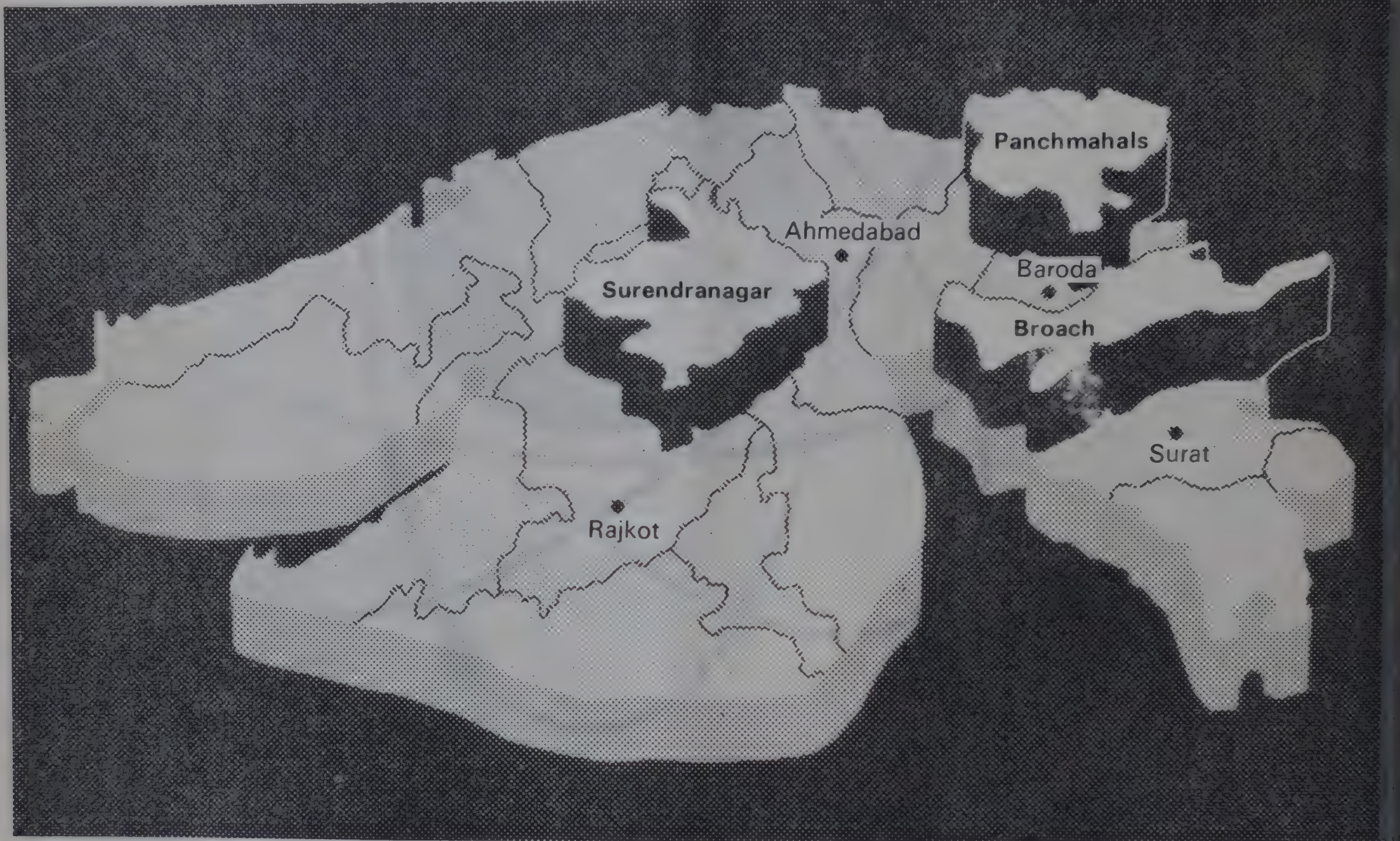

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ry strong overseas demand, thanks to s stubborn competitiveness and there no sign that the steel industry about to lower its long-term sights or en cut down on its expansion programmes for the immediate future. Again, although many Japanese manufacturers are omplaining of a profit squeeze, thanks rising labour costs or the higher prices f imported raw materials, the decline in usiness spending has been confined rgely to a reduction in inventories or a eferment of plans for investment in apital goods. Evidently current production particularly for export has been and s being protected as much as possible. In ome cases, however, it has been extremely difficult or even impossible to manage o achieve this. With house construction osts having nearly doubled in two years, ousing starts have sharply slowed down ver the last twelve months. Again, there ave been cases of shipbuilders cancelling rders on their books wherever possible, ecause rising wages have made nonsense f the cost estimates on which they ad quoted their prices.

darkest patch

The darkest patch on the Japanese industrial scene, however, is the current state of the automobile industry. It was estimated recently that the annual production of fourwheel vehicles in Japan would amount to 6.56 millions in 1974, marking a decline of 7.4 per cent from the output in 1973. A large part of the reduction in output is of course due to the slump in the world automobile trade. As for the domestic demand, it is not yet clear to what extent the increase in gasoline prices which has been of the order of roughly 50 per cent in the course of 1974 has been responsible for the fall in the offtake of automobiles. It is claimed, however, that the consumption of gasoline has declined by 15 per cent following the increase in its price.

By and large, then, the position seems to be that Japan has not exactly been reduced to penury in spite of the stagflation it had gone through in 1974. What has happened is that a spectacular process of economic growth carried through a number of years has been abruptly halted. This has naturally created several problems—some serious, but most of them of a transitional nature. Since the world economy itself is not in too good a shape, it will not be easy for Japan to compress this period of transition into a year or even two, but what is important is that the Japanese economy is probably in a much better position than most other industrially advanced economies to recapture the growth process earlier rather than later. In fact there appears to be a public consensus in Japanese government and business circles that the Japanese GNP should start picking up in the second quarter of 1975. This would of course assume that there are no grave disturbances in the international political or economic situation and that countries such as the United States and West Germany would follow reflationary policies.

containing inflation

For the moment, however, Japan would itself rather choose to concentrate on bringing down the rate of domestic inflation. Here the tide is at least not in an adverse direction. While inflation was of the order of an annual rate of 28 per cent for the greater part of 1974, it came down recently to around 12 per cent on a month-to-month basis. Nevertheless, Japan's top economic policy-makers seem determined to continue to treat inflation as the nation's economic problem number one while considering initiatives for the new year. For instance, on December 24, the Japanese government announced that its selling price of wheat would be frozen at the current level for the fiscal year 1975 starting in April. On the agenda of the high-level cabinet meeting at which this decision was taken was also the question of deciding the price policy for other commodities such as tobacco and salt as well as increasing utility rates. No conclusions were arrived at on these points on that occasion but it was disclosed that the Finance minister, Mr Masayoshi Ohira, had been instructed by the prime minister to study a plan to impose an overall freeze on the utility rates.

There, however, seems to be some measure of agreement between the Finance minister and the Director-General of the Economic Planning Agency, Mr Takeo Fukuda, who also holds the prestigious office of the deputy prime minister, that some increase in utility rates could not be avoided if adequate revenue resources were to be secured for the 1975 budget and the public services were to be maintained in a sound financial position. Mr Fukudo however seems to be keen on limiting the increases to the minimum possible so that the basic anti-inflationary strategy may not be impeded. Subsequent reports state that in the course of later discussions the Japanese government has decided to postpone by varying periods pending increases in postal and telephone charges as well as in cigarette prices charged by the state monopoly. The general aim of Japan's continuing anti-inflationary programme seems to be to ensure that the consumer price index does not rise above 12 per cent over 1975, thereby consolidating the gains achieved in recent months in combating tendencies towards anything like a runaway inflation.

Should the first quarter of the new year develop along lines that give confidence to the economic policy-planners that their projections regarding the behaviour of consumer prices are likely to hold good, monetary and financial policies may thereafter be expected to move towards a cautious reflating of the economy. In fact it is now being hopefully assumed that the back of inflation would be broken by the beginning of the second quarter of the year and that, from then on, the economy could resume its interrupted business of growth. Even Mr Fukudo, who has tended to be rather conservative in his anticipations of resumed economic growth, is now reported to be inclined to think of planning for an increase in the Japanese GNP at a rate of 4.3 per cent for the year 1975 as a whole. This would mean of course that the Japanese economy will have to grow at a rate somewhat higher than this in the later part of the year since it is not likely to start moving up in the earlier months of 1975.

resumption of growth

Japan's prospects of resuming growth a few months hence in relatively less inflationary conditions seem to be reasonably good. For one thing, as *The Economist* dollar index of world commodity prices shows, prices of industrial raw materials have gone down by 32.3 per cent in the course of 1974. It is true that, as against this, food prices have gone up by 28.9 per cent, but the world grain outlook at the beginning of 1975 is such that some, and perhaps a substantial, reduction in food prices could be looked forward to in the course of this year. It is also possible for Japan to assume, as many other major importers of oil are apparently doing, that prices will not rise further and may even fall at least slightly in the course of 1975.

A great deal would depend of course on the success which government and industry are able to achieve in regulating wage increases. In has been estimated that, at the negotiations due in May, workers would secure an average wage increase of 16 per cent, in addition to one to three per cent increase in the form of other benefits such as bonuses and certain allowances. Simultaneously, projections regarding productivity assume an improvement of about five per cent. Japanese industry seems to have reconciled itself to these prospective increases in its costs and there is indeed a feeling that some augmentation of purchasing power in the domestic economy could be more advantageous than disadvantageous to the recovery of production and business spending on capital stock.

At the same time a long and close look will have to be taken at the possible situations Japan's export industries may have to face. For instance, it has already been established that the shipbuilding and the textile industries cannot afford any further appreciable increases in costs if they are to stay in the export business. In fact many of Japan's competitors in the world textile trade believe that, after the spring wage increases in Japan have been negotiated, its textile manufacturers might find it rather difficult to hold their own in overseas markets. There is also some evidence that firms in the electronics industry have already started in terms of planning for the shifting or dispersal of their production facilities, taking advantage of the relatively low labour costs prevailing in places such as Singapore.

The big question is how soon capital spending by business would revive and gather volume. The *Sumitomo Bank Review,* in its issue for January 1975, takes a rather dim view of the probabilities. It says:

> "As for business spending, the chill of a changing climate is keenly felt. Business profits are squeezed by material price increases and long term tight money policy, as well as by production curtailment. Furthermore, business is in for harder times, for it is facing such problems as the restriction of oil consumption and a low industrial growth rate. The move to go back on capital outlays will spread throughout all but steel and electric industries. Overall, the outlook is for a poor recovery of business spending through 1975."

a dim view

The Review has also noted that (1) domestic demand does not have strong recuperative power as in years past, as a result of inflation's unusual inroads on the real purchasing power of consumers and a slow-down in consumer spending; (2) more businesses than expected are stretching out productive spending for plant and equipment on account of the continued decline in total demand; and (3) business inventories are going to be trimmed for a longer period of time than expected earlier.

A recent issue of Mitsubishi Corporation's *Tokyo Newsletter* is also rather subdued about prospects for the next business term. It suggests that an improvement in the external environment cannot be expected for some time to come although some countries, such as the United States, West Germany and Britain, are beginning to modify their economic policies because the business down-trend has reached serious proportions. According to it, many vexing factors lie ahead, such as the oil confrontation between the producing and consuming nations, the signs of a re-emergence of the food problem, the re-cycling of oil money and developments in the Middle East situation. As regards the Japanese domestic economy, the point is made that the situation is such that it is difficult yet to expect an easing of the restraint policy. The squeeze on corporate financing is expected to tighten and it is strongly feared that business will be further depressed. It is pointed out that there is a mountain of problems such as the future of the balance of payments position which continues in the red, the problem of securing and stabilizing the supply of raw materials and problems revolving around the restriction of industrial competition in connection with the proposed revision of the anti-monopoly law.

concession to partners

Although responsible leaders of the Japanese business community may be quite conscious of the problems the government has in resorting to reflation immediately, Japanese industry and trade will certainly be disappointed if action is delayed too long. For instance it is now being argued increasingly frequently that the fact that the United States and Germany have been easing interest rates and are also otherwise moving in the direction of reflating their respective economies is making it more and more difficult for Japan alone not to relax its dear money policy. In fact the monetary weapon has been used in Japan less as a means of dealing with the domestic inflation problem than for moderating Japan's export drive as a concession to its major trading partners who have become sensitive to the aggressive Japanese presence in overseas markets especially at a time when their own economies are being squeezed by stagflation.

Consequently, it is now being pointed out by Japanese trade and industry that, since the industrialized countries in the west are initiating less stringent monetary policies for the purpose of reviving economic activity, it has become proper for Japan also to keep pace with them. That this contention is beginning to have some effect became obvious in the last week of December itself when the B of Japan informed commercial ba that it was raising its monetary ceiling their loan volume increases for the f quarter of next year for the first time more than two years. As a result, the 13 banks would be allowed to incre their total lendings in the first quarter 1975 by about 5.3 per cent over the r for the first quarter of 1974. Althou it was denied on behalf of the Bank Japan that this move represented slackening of the credit squeeze, commercial banks take it that the m easing of the protracted credit restraint now on its way.

budgetary discipline

Broadly speaking, the Japan government had been relying more fiscal restraints than on monetary cu to cool down the over-heated Japan economy. It follows that it is in fiscal area that the Japanese busin community would expect to see ma signs of reflation. The immediate pr pects in this respect are however not bright. In the last week of the old y the Diet had to pass a record suppler tary budget for fiscal 1974 for a s more than twice that for the previc year's supplementary budget. As result, the total government spend during the year ending March 31 t year would be 25.7 per cent over that the year ending March 1974. Inter tingly enough—the Indian analogy w be obvious—most of the addition appropriations were required to finar pay raises for government employees subsidies to local governments. T would suggest that the government w have to stick to a certain degree austerity while planning its budgeta policy for fiscal 1975. Already it h been decided to postpone the start new long term public utility projec until fiscal 1976.

Nevertheless, however firm the prin minister may be on making the budg for the next year as stringent as pos ble. it may not be possible to avo certain expenditures. For instance, the is a strong demand within the governme itself that sufficient funds should allocated for public works projects close related to the people's daily life, su as constructing new sewage system during the next fiscal year. It is als being assumed in a general way that th government will have to go in for fisc measures designed to revive house con truction. Meanwhile, the ministry International Trade and Industry asking for fiscal and monetary measur calculated to provide incentives for recycling industry and to help develo narketing system for recycled products l, as a first step it has recommended ubstantial appropriation in fiscal 1975 the establishment of a "clean Japan ntre" to help in formulating a long- nge recycling programme and develop- ent of recycling industries and chnologies*.

It has been estimated that more an 1.3 billion tonnes of waste ma- rials would be generated in Japan in the xt twelve months. It is therefore con- dered urgently nccessary to organize e utilization of this huge quantity of aste, both as part of an anti-pollution oblem and as a complementary part of e Japanese industry's basic orientation wards turning natural resources into oducts of utility for the community. deed, despite the difficult times through ich it has been passing, Japanese industry s been investing huge sums in anti-pol- tion equipment. During the 12-month riod ending this March, over one ousand billion yen (US $3.3 billion) ill have been spent on improving the vironment. As a by-product there is bloom in the manufacture of anti- llution equipment. Mitsubishi Heavy dustries, the largest single manufacturer this field, have orders on their books r the fiscal year 1974 for 88.3 billion n, a sum in excess of the total value of the orders for all other mpanies during the previous 12- onth period. Side by side with cater- g for this burgeoning demand in the me market Japanese manufacturers ve also started exporting advanced ti-pollution technology. At this rate e manufacture of anti-pollution equip- ent may well become one of Japan's ore important growth industries in the reseeable future.

il politics

In its external activities or relations, apan, both government and business, ould probably choose to maintain a low rofile in the immediate future. While e Miki government has agreed to articipate in the west's oil-sharing plan nd the prime minister has indicated at his country would contribute to e oil conservation strategy of the ajor petroleum importing countries y cutting down its consumption by three er cent in the course of 1975, the oreign minister, Mr. Kiichi Miyazawa, as made it clear that Japan is not interested in any confrontation between the OPEC countries and their costomers and that the Japanese government looks forward to a solution of the oil price issue through consultations and co-operation between the producers and consumers of oil.

Broadly speaking, official overseas economic policy is likely to be geared to cultivating commercial or other ties with Australia, China, the Persian Gulf states and the countries of Latin America which are considered to be of increasing importance to Japanese business. As regards the east or south-east Asian region, Japanese official thinking still seems to be in the throes of a reappraisal although a year has passed since the fiasco of the Tanaka goodwill visit which brought to the surface so much anti-Japanese sentiment in Thailand and Indonesia. The Japanese government, however, would still like to cultivate its economic association with the countries in this region but it is at the same time anxious that it should not do anything which has the appearance of economic penetration.

the question of aid

On the question of aid, however, the Japanese government seems to be determined to maintain a positive or even an aggressive view of what it considers to be right and proper. It is just possible that there is even some increase in the Japanese interest in assisting economic development in east or south-east Asia, but Japan may insist more and more on aid-receiving countries themselves doing much more for improving their own lot particularly through stringent population control and vigorous food production programmes. This should be of some interest to our country, especially as more than one prominent Japanese, influential in the government, besiness and public life of his country, have gone on record to the effect that they firmly believe that the Indian government has really no option but to introduce compulsory vasectomy if this country is at all to lick its population problem. Incidentally, Japan is cutting down its rice production by a milliom tons on the grounds of plantiful stocks even as Mr T. Mitzukami, president of the Japan Foreign Trade Council, is saying that a bilateral Japan-US food stocking system could be set up as one effective method of creating a global food stockpile.

As for Japanese business, the basic expansionist urge is very much there, particularly with regard to overseas trading. Nevertheless there is realistic appreciation of the limitations inherent in the situation. The oil-sharing plan, or oil conservation, for instance, may impose some restraint on Japanese industry, which is so overwhelmingly dependent on energy in the form of imported oil. Again, the recession in the industrialized countries of the west and the sharp shrinkage in the purchasing power of major oil-importing economies have made the Japanese realize that the best they could hope for in 1975 is for the Japanese share of international trade to grow not less fast than the aggregate volume of her trade itself might increase.

Mitsu investments

At the moment, however, neither the Japanese government nor Japanese business is at all happy about Japan's foreign trade being in the red. In the period January-October 1974 the total value of Japan's exports had amounted only to US $44.5 billion as against imports totalling US $51.5 billion. This is an imbalance which Japan would certainly endeavour to correct in the coming year. Here the trading activities of the Mitsu group, even in the difficult year of 1974, may be briefly noticed as an indication of what could be expected if conditions in the new year are even slightly more favourable for the expansion of the Japanese economy. During 1974 Mitsu established the Japan-Peru Petroleum Company Limited in partnership with trading companies and oil refineries. This firm concluded two investments and projects agreements related to Peruvian oil and copper development projects. Mitsu won a contract for supplying Syria with communications facilities on a large scale. It is promoting natural gas development projects in Northwestern Australia where it established the Mitsu Gas Development (Australia) Proprietary Ltd in 1973. In 1974 this Japanese business house joined British and Australian interests in initiating the exploitation of vanadium deposits in western Australia, and in the same year it set up the International Agro-Forestry Development Corporation in the Philippines. The Mitsu group is currently constructing a large chemical complex in Iran and has also concluded an agreement with Petromin, the Saudi Arabian state-owned petrochemical company, for the exploration of non-ferrous mineral resources in that country. Finally a US $42 million contract has been concluded for the supply of an ethylene plant to Poland.

At the turn of the year it was reported in the Japanese press that Tokyo Shibaura Electric Company (Toshiba),

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*The Miki government approved on January 11 budget for fiscal 1975 which raises government ending by 24.5 per cent. Public works spending ill be stepped up by 2.4 per cent, while housing ans will be liberalized. The Finance minister escribed the budget as neutral in its effect on usiness activity—ED.

Japan's oldest and second largest electrical equipment manufacturer, had secured an order for two 55000 kw geo-thermal power generators and three 60000 kw water power generators from the National Power Corporation. The contracted price for the entire order was stated to be 10.2 billion yen (US $ 34 million) and was payable in Japanese currency. Fujitsu Limited, manufacturer of telecommunication and information equipment recently settled a transaction with the Spanish government for establishing a subsidiary there to produce electronic computer equipment. Aiwa Company, a leading producer of tape-recorders and home electric appliances, announced in the last week of December the acquisition of a 49 per cent equity interest in Atlas Electronics Private Limited of Singapore. More recently, it was disclosed that Sumitomo Chemical had signed a joint-venture agreement with the government of Singapore to build a US $ 870 million petrochemical complex.

Emphasis on protecting or promoting overseas sources for its essential imports continues to be a strong feature of Japanese business policy. Mitsubishi Oil Company of Tokyo recently concluded a transaction with a French firm which will supply seven million barrels of Indonesian crude oil in exchange for $ 17 millions in loans. The French firm will use the money for developing a new oil field in Indonesia which is expected to start producing crude oil in June this year. Five Japanese and one American firm have recently entered into a joint agreement with the Jamaican government to expand bauxite and alumina production in that country. The Japanese companies are Sumitomo Chemical, Nippon Light Metal, Kobe Steel, Marubeni and Kanematsu-Gosho. This marks Japan's entry into the bauxite industry of Jamaica which is the second largest producer of bauxite in the world after Australia. Talks are taking place between Japan and Australia on a five-year agreement under which the latter would sell 600,000 tonnes of raw sugar annually.

liberal imports

Lest the USA or the industrialized countries of the west might take an uncharitable view of Japan's preoccupation with exports in the present conditions of the world economy, both Japanese government and industry are sparing no effort to demonstrate that Japan's import attitudes are being liberalized. For instance, the government decided recently to liberalize Japan's partially restricted imports of integrated circuits (ICs), which are semi-conductor electronic devices used in modern electronic appliances including computers and desk calculators. Earlier, the government had liberalized direct foreign capital investments in ICs production ventures in Japan. It is pointed out that these measures mean total decontrol for foreign ICs producers or dealers in production or sales in Japanese territory. During the first ten months of 1974 domestic production of ICs were of the value of 9.2 billion yen and imports of the value of 4.4 billion yen, which means that, even as it is, imports are already of the order of 43 per cent of domestic production. Nevertheless, the ministry of International Trade and Industry is confident that imports will not harm Japanese producers who, it is claimed, have already attained a level of technology or productivity comparable to that of the world's top manufacturers.

import of technology

Incidentally it is being stressed that Japan's industry is becoming more and more outward looking in its pursuit of technological excellence and in this context it has been pointed out by the Science and Technology agency that technical know-how introduced from abroad is tending to be on the increase. There were 2,450 cases of foreign technology in the year ended March 1974. About 80 per cent of the know-how brought into Japan was in the Class-A category, requiring contracts lasting more than one year. Out of the contracts in this class, 31.8 per cent concerned machinery, 15.8 per cent electricity and 13.9 per cent chemicals. Again, technical skills connected with the textile industry topped the list with 232 cases of imported know-how. Imports of technical know-how showed sharp increases in the case of electronics and communications, petroleum plants, environmental conservation, Paris fashion items and leisure industry. The United States was the largest exporter of technical know-how to Japan, accounting for 51.2 per cent of Japan's total purchases. It was followed by West Germany, France and Britain in that order. Japan's technical know-how import payments increased by 25 per cent in the year ended March 1974 over the preceding year, while its receipts from the export of technical know-how went up by only 18.9 per cent.

It was mentioned earlier that Japan's exports amounted to US $44.5 billion during January-October 1974 and imports to US $ 51.5 billion. The exports were about equally divided between the developed countries and the developing countries, the ratio being roughly 21 : 20. As for the imports, the developed cou had a somewhat smaller share tha developing countries, the ratio here 21 : 27. Again, Japan's trade wit developed area was very nearly i ance, while its imports from the de ing area were somewhat larger th corresponding exports. The com bloc is not included in the above gories. Japan's exports to countr this grouping amounted to US $ 2 lion while imports were valued at 2.5 billion.

overall trade

Japan's total exports during Ja October 1974 were 52.6 per cent than in the corresponding period of while its imports were 69.2 per higher. Exports to the Middle Eas doubled in value and to the comn bloc were 95 per cent more. Expo Latin America showed an increase per cent and to Australia 81 per ce the case of imports, those from the loped countries were only 34.5 pe more, whereas those from the deve countries were 116.5 per cent more. ports from the Middle East show spectacular rise of 239 per cent, t to the sharp increase in oil prices this, in fact, accounted for the rise i aggregate value of Japan's imports. percentage increase in imports fror the other trading areas was lowe most cases substantially lower—tha percentage increase in aggregate im The *Sumitomo Bank Review* assesse outlook for exports in 1975 at an inc of 8.6 per cent by volume. It seems h probable that the greater part of th crease would be accounted for by Ja trade with the Middle East, the co nist bloc, Latin America and po southeast Asia.

Perhaps for the first time in years the Japanese people, includin business community may not be w occupied with the problems or the of their national economy. More more public attention is being giv what may broadly be described as p cal issues. The inglorious exit of former prime minister, Mr Tanaka, was charged with abusing his pol office or public position for personal has brought out into the open the lenge that political corruption pos clean government. The new prime m ster, Mr Takeo Miki, owes his elev as much to the image he presents of Clean" as to the fact that factionalis the ruling Liberal Democratic (LDP) frustrated the efforts of the strongest contenders for the post, Takeo Fukuda and Mr Masayoshi O Mr Fukuda has since become the de

minister in Mr Miki's cabinet and
hira the Finance minister.

any unkind things were said about
liki when his elevation was announ-
He was described as a bottom-of-the
hoice and also as "the odd man in."
orists have also noted that, although
s become prime minister in the clos-
eeks of the year of the Tiger, he will
appropriately fulfil his destiny in the
year of the Rabbit. Nevertheless,
seems to be much quiet confidence
e Japanese people themselves that Mr
may well be what the doctor has
red for the Japan of 1975. In econo-
ffairs he is expected to work for
th with stability and Mr Miki's own
ept of what this ought to mean seems
e a reduction in the rate of increase
nsumer prices to 15 per cent by the
quarter of 1975 and an annual rate
owth of five per cent for the Japanese
omy for the year as a whole.

-keyed reformist

t is however not in economic affairs
Mr Miki himself may feel called
n to show his paces. Seen by many
low-keyed, reform-minded conserva-
he may nevertheless get quite tough
ut what may be considered to be his
rities as the man chosen to set Japan's
al and political house in order. For
ance, as a dedicated environmentalist,
eems to be more serious than most
nese politicians about making and
rcing tough anti-pollution measures
icularly with regard to the prevention
he further contamination of Japan's
waters by chemical and mineral dis-
rges. He is also reported to be much
cerned over the fact that major Japa-
e car manufacturers, such as Toyota
Nissan, have succeeded in obtaining
elay in the implementation of what is
ognized to be the world's strictest
n air legislation which has already
n passed by the Japanese Diet. Smal-
automobile manufacturers, such as
nda, Toyo (Mazda) and Mitsubishi
e already incorporated in their vehi-
emission controls of the stipulated
ndards for reducing exhaust pollution
it is believed that the prime minister
uld soon move to persuade the big
nufacturers of large-displacement
icles to follow suit in spite of the
vailing depressed conditions in the
lustry.

Even otherwise Mr Miki seems inclin-
to persevere with the proposition that
business must recognize and discharge
tain large social responsibilities to the
nmunity. He is keenly interested in a
ve to put tooth into the anti-monopoly
, while the Finance ministry is planning new controls on bank loans to giant businesses. Already limits have been set for each bank's outstanding loans to each single business firm at equivalents of between 20 and 40 per cent of each bank's outstanding paid-up capital and it has been firmly stated that the ministry would ensure that smaller firms receive a fair deal in the matter of bank credit. The prime minister is also taking personal interest in curbing speculation in land. A new National Land Utilization Law has just gone into effect and one of its objectives is stated to limit annual increases in land prices within a ceiling of 10 per cent.

It is however in the areas of improving his own party's public morals and reforming election law that Mr Miki will be put to the test as the new broom on the job—a point which we in India should no doubt be able to appreciate. The Home Affairs ministry in Tokyo recently announced that a total of 1,373 political organisations, including the five major political parties, received a combined total of 51.6 billion yen in political funds and spent 52.9 billion yen between January and June 1974. It was noted that both the income and expenditure figures were over double the corresponding amounts reported for the comparable period of last year. Of the total political donations, 30.9 billion yen or 60 per cent came from unascertained sources. The five major political parties received 44.1 per cent of the total donations and among them the ruling Liberal Democratic Party received more than 64 per cent as its share, while the country's second largest party, namely the Socialist Party, got just 2.6 per cent. Finally the five major factions within the LDP received donations 2.5 times over the comparable figure of a year ago. A major portion of the amount was believed to have been spent on the candidates of the respective factions in the last upper house election.

political donations

It is against the background that the Miki government is now under pressure to revise the existing political donations regulation law in order to bring about the diminution of the influence or abuse of big money in politics and elections. The prime minister has been having a series of "political dialogues" with opposition parties on this issue and beyond saying that he was planning to reform the law governing political donations within the next three years instead of five years as reported earlier, he has permitted himself only the characteristically cautious commitment that he will "change what can be changed." On a more personal plane, the prime minister promised soon after he took over the office that he planned to publicize his personal assets although he had indicated that he would not himself bring pressure to bear on his colleagues in the cabinet to do likewise.

It would however be wrong to suppose that the Japanese are becoming an unduly serious people all of a sudden. There are, for instance, the sprightly officials of the Mitsubishi Corporation's headquarters in the Marunouchi office district in Tokyo, who are loudly complaining that the skirts of office girls are becoming longer and longer. Although this trend may have brought some cheer to Japan's depressed textile industry, it seems to have fallen as a heavy pall on male spirits in Tokyo's busy business area. According to a women's wear section of a leading Tokyo department store mini sales are now three against seven of midis and longs, with even the so-called minis now come down to the knee.

"host club"

Much more than clothing seems however to be in retreat where the new mood or mores of a new generation of Japanese women is concerned. A prominent Tokyo newspaper has written about the growing popularity of what was until recently a novelty in Japan's entertainment world, namely, the "host club." This is an establishment which provides Japanese women with male hosts, who turn on charm, open doors, light cigarettes, hold chairs" and in general minister all those various delicate or delicious attentions which the female heart yearns for but does not always get in the regular routine of married life. Although most Japanese women go along with recognizing the privileges of masculine primacy, such as wives accepting rather than complaining about their husbands' late night carousing, more and more of them, including especially a growing tribe of business women, often earning as much good money as business men, are now stated to be having their own back on a male-dominated society or a male-centred family by taking themselves to a host club as a pleasant way of having a night on the town. The more well-healed customers are stated to be writing cheques running over 100,000 yen for a few hours' evening entertainment but the host clubs do not have to depend on such big spenders alone. Many middle class housewives, being fed up with or even resenting the traditional attitudes of Japanese husbands, as well as single girls working in offices or shops and desiring to experience some romance even if they have to pay money for it, are reported to be providing the host clubs with their bread-and-butter business.

The male personality, however, may still have plenty of life left in it. I have written at the outset about hosts of Japanese young men flying out of Tokyo for their New Year holiday. On the eve of this holiday exodus, the Japan Travel Bureau estimated that a record number of 130,000 persons (10 per cent more than the number a year ago), mostly young people, would be making trips abroad during the period from Christmas Day to January 3. It also said that some 70,000 of these people were expected to go to countries in southeast Asia. Although more and more Japanese young men tending to take their young wives them when they go abroad, it may sa be assumed that a high proportion of 70,000 were temporarily unattached m who would have had a thing or tw tell their women when they got back h host club or no host club.

(To be conclu

The oil “miracle” in the Gulf states–I

London

Jossleyn Hennessy

Bahrain

Amir H.H. Sheikh Isa Bin Sulman Al-Khalifa

Exchange Rates 0.92 Dinar=£l
(£l=US $2.33)

THE GENERAL election and the first meeting of the 42 members of the National Assembly in December, 1973, ended two centuries of hereditary rule. The new Assembly is not wholly elected (12 members are appointed cabinet ministers) and the Amir still remains the ultimate authority. Bahrain declined the chance to join the United Arab Emirates in 1971 and instead has concluded many agreements with the other Gulf States. An extensive economic and cultural pact with Kuwait was signed in June, 1973, which was designed to lay the foundations of a Gulf Common Market, and in April this year Bahrain, Oman, Qatar and the United Arab Emirates approved plans to set up a joint shipping company.

Moreover, the Government followed the line taken by other members of the Organisation of Arab Petroleum Exporting Countries (OAPEC) during the October war by reducing its crude oil production and banning exports to Holland and the United States. Oil production began in 1932 but has remained relatively small. In 1973, it amounted to 3.4 million metric tons, i.e., only 0.2 per cent of the Middle East total. Moreover, output has been generally declining in recent years. In August, 1974, production totalled 0.28 million metric tons, 3 per cent down on August, 1973. However, the escalation in oil prices has greatly outweighed this decline in volume. Oil revenues for 1974-75, were originally estimated at BD33.7 million but have been revised upwards and are now put at BD70 million, more than six times the receipts for 1973-74. In line with the substantial increase in oil revenues, budgetary expenditure has been raised from an original to BD35.5 million to BD70 million: most of the increase is to go to development. Nevertheless, a surplus of income over expenditure of some BD19 million was still expected in 1974.

The Bahrain Petroleum Company (BAPCO) holds the concession covering all the land and certain offshore areas until 2024. In the past the government had rejected participation agreements on the grounds that domestic production was too small, but recently there has been a change of policy and in September it was reported that an agreement had been reached with BAPCO giving the state a 60 per cent share of oil production.

future developments

However, future developments cannot be based on domestic oil production, because present reserves are likely to last for only another 20 years, unless there are major new discoveries. Accordingly, the government activity encourages economic diversification. One example is the BAPCO oil refinery, one of the largest in the Middle East with a present capacity of 36,720 metric tons per day, around 70 per cent of which is piped from Saudi Arabia. The $62 million, 6,800 metric tons per day, desulphurising unit which came on stream in 1973 has proved a valuable addition to the refinery. Another major industrial development is the large aluminium smelter plant, operated by Aluminium Bahrain (ALBA) on Sitra Island, described as one of the most successful industrial ventures in the Middle East. In February 1974, the government increased its holdings in ALBA to 40.4 per cent and an agreement was signed recently to supply aluminium to China. The plant uses Australian alumina and has recently reached full production of 120,000 metric tons a year. Power is provided by natural gas from the large deposits of the Khuff field. Gas reserves sufficient for at least 80 years and it hoped that they will form the basis further industrial development. other main industrial centre is in free-trade zone near the main port Mina Sulman. Industries include flo fishing, paper products, plastics, li engineering and ship repairing. A ma stimulus to the economy will be provic by the BD47 million OAPEC-finan dry dock project which, after some backs, received final approval in Ju 1974. The dock will initially be able to commodate ships up to 275,000 tons, there are plans to expand the capacity 500,000 tons. A start has been made the project to be completed in 1977. T dock will not only provide direct emplo ment for some 3,000 men, but it will a necessitate the expansion of many anc lary industries. Port and airport facilit are being expanded in hopes that t state will become a major middle e transit centre. There are plans for causeway link with Saudi Arabia.

business centre

With an efficient communicatio network and no income tax or exchan controls, Bahrain is becoming increasing important as a business and financial ce tre in the Gulf. During 1973 bank dep sits increased from BD78 million to BD9 million, and by early 1974 thirteen foreig banks were operating in the country. Whi the value of non-oil exports remained rel tively unchanged last year at BD32 millio imports rose by 28 per cent to BD128 m lion. However, when account is taken oil exports, invisible earnings and capit inflows, a payments surplus was probab achieved. The one real cause for concern the rise in the cost of living (estimated a 30 per cent last year) and its effects which the government is tackling by mea sures including subsidies on food an other essential items, reductions in elec icity charges, wage increases, and controls on essential imports.

United Arab Emirates

(Abu Dhabi, Dubai, Sharjah, Ras Al-Khaimah, Fujairah, Umm, Al-Quaiwaih, Ajman)

President H.H Sheikh Zayed Bin Sultan Al-Nahayan

Vice-President H.H. Sheikh Rashid Bin Said Al-Maktoum

Exchange Rate 9.27 Dirhams=£l (£l=US $2.33)

The United Arab Emirates, a federation of seven Emirates in the lower Gulf previously known as the Trucial States, became a sovereign independent state in December 1971. Sheikh Zayed of Abu Dhabi heads a Supreme Council, comprising the rulers of the other six Emirates, which meets at least twice a year to discuss matters of mutual interest. In its first two and a half years, the federation has firmly established a role for itself in world affairs and has made cautious progress towards integration between the States.

Fuelled by finance from the oil-rich Emirates, particularly Abu Dhabi, economic and social development has been going rapidly ahead and the commercial and legal conditions are generally favourable to the growth of trade and investment. Partly in order to assist integration, roads are being built, and air and sea port facilities extended. Growth has revealed the shortage of skilled manpower in the Emirates, which are heavily dependent on expatriates' services. Importance is therefore attached to improved education.

Development priorities are reflected in the expenditure allocations in the 1974-75 federal budget. Total expenditure envisaged amounts to UD692 million, compared with UD510 million in 1973-74.

In May, 1973, the UAE introduced its own currency, the Dirham, to replace the Bahraini Dinar and the Qatar/Dubai Riyal, which had previously circulated in the Emirates. Later in the year, a UAE Currency Board was established to direct financial affairs and issue currency. With the backing of oil revenues, the currency is strong and a UD300 million loan to the World Bank was granted in May, 1974.

That there are now 65 banks in the federation, and several more about to open, reveals the development of the UAE as a banking and financial centre.

Abu Dhabi

Ruler H.H. Sheikh Zayed Bin Sultan Al-Nahayan

The largest of the Emirates, Abu Dhabi has been dramatically transformed by the discovery of oil in 1958. From a small fishing community it has become the richest country in the world, with a per capita income of around $27,000. Because of production and price increases income from oil rose to $1035 million in 1973 and was forecast to reach $3,172 million in 1974. Production of the high-quality crude has been expanding rapidly, rising by 24 per cent in 1973 (despite politically motivated production cuts in the last quarter) to reach 62.5 million metric tons. Revenue also rose because of the increase in oil prices: posted prices more than quadrupled in 1973. Receipts were expected to rise further after the conclusion of negotiations in September with the international oil companies on a 60 per cent state-participation agreement. Attention is also being given to the natural gas resources. A feasibility study of the processing and marketing of associate gas from the oil fields is to be carried out, and work has been started on a $300 million liquefaction plant on Das Island which will produce about three million tons of gas a year, most of which will be exported to Japan. The liquefaction plant will form part of a $9,000 million LNG chain including the commissioning of suitable tankers and the creation of terminal storage and distribution facilities in Japan.

Since the successful completion of a five year Plan in 1972, there has been no formal long-term attempt at co-ordinated development. Planned expenditure in the development budget for the 1974-75 fiscal year totals UD1,500 million, of which UD92.7 million is allocated for health, UD299.2 million for industry, electricity and water, and UD89.2 million for communications. Development has so far concentrated on an adequate infrastructure. Communications have received priority; a tarmac road between Dubai and Abu Dhabi has been completed, main arterial roads have been constructed in the town of Abu Dhabi and a study is being carried out for a new airport. The extension of welfare by schools, hospitals and low-cost housing has been planned. Substantial financial aid is given to the other Emirates and Arab nations, some of it being channelled through the Abu Dhabi Fund for Arab Economic Development, the capital of which has been increased to $500 million to allow loans to be made to developing countries in Africa and Asia. Reflecting Abu Dhabi's prosperity, imports, principally construction material, machinery, transport equipment and other capital goods, rose from UD758 million in 1972 to UD1,019 million in 1973; more than a quarter came from the United Kingdom. However, in contrast with Dubai, only some 2.5 per cent of imports are re-exported and thus oil exports are almost the only source of foreign exchange.

Sheikh Zayed, aware of the risks of overdependence on oil, is trying to diversify the economy. A number of new oil-based industries are planned but, outside oil, the main economic activity has been in construction where, despite rising costs (inflation is running at 30/50 per cent per annum) and labour shortages, the boom is expected to continue for at least another two or three years. Work has begun on a cement plant and another planned. Talks have been held about the possible establishment of a steel plant. The development of a modern fishing industry is another possible source of foreign exchange and there are hopes of building up a tourist industry.

Dubai

Ruler H.H. Sheikh Rashid Bin Said Al-Maktoum

In comparison with other Gulf states, Dubai is but a small producer of oil; the only source of revenue at present is the Fateh field, where oil was found in 1966. However production has been steadily increasing, and reached 11 million metric tons in 1973. Moreover, the discovery of a second field in 1970 will permit further expansion. As yet there has been no official attempt to copy the participation negotiations of the other Arab producers; however, the state has benefited from the large increases in the posted price of crude oil and revenues were expected to increase from $165 million in 1973 to $576 million in 1974. All the associated gas from the oilfields is at present flared off, but an agreement to exploit the gas resources has recently been signed.

Partly as a result of the free atmosphere due to its long history as a trading nation, Dubai is fast becoming the centre for the oil servicing industry for the southern coast of the Gulf. Lack of adequate dry-dock facilities for large oil tankers and the potential business that can be expected from the developing fleets of the Arab world has led to the current construction of a massive dry-dock and ship-repair complex, estimated to cost $91 million.

The oil income is regarded as a welcome bonus further to establish Dubai as a trading, banking and industrial centre. Trade is the traditional source of wealth and the current economic boom conditions are reflected in the growing value of imports. In 1973, imports increased by almost 60 per cent to reach UD2,341 million, 12 per cent of which came from the United Kingdom. The state is the leading entrepot centre in the Gulf; imports, four-fifths of which are re-exported, are primarily consumer goods but imports of machinery and building materials are increasing rapidly.

Prospects for trading and industrial development will be further improved by the decision to make Dubai a free port, at a cost of some $1,000 million. The capacity of Port Rashid, only completed in 1972, is to be trebled at a cost of £65 million and two free industrial zones are to be established close to the port. One will be for storing, transferring and re-exporting goods and will cater for light industrial development. The other is to be for heavy industry: a £33 million natural gas plant, an oil refinery, a steel mill, a £26 million cement plant and two new power stations are planned.

Sharjah

Ruler H.H. Sheikh Sultan Bin Mohammed Al-Qasimi

The third largest of the Emirates, with a population of 60,000, Sharjah has just become an oil producer. In early 1974, production began from the Abu Musa oilfield, owned jointly with Iran, and output should now be running at the rate of almost 10 million metric tons a year. A development plan is being drawn up, and a $50 million Eurodollar loan has been obtained to cover the period until the oil revenues build up. However, substantial development, principally improvements in communication and infrastructure, has already taken place with the assistance of Abu Dhabi. Industry is small at the moment but the present harbour is to be extended at a cost of £21 million, a cement plant is to be built and a fish processing plant is already in operation. The development of agriculture holds good prospects, and opportunities to provide for visitors to the Gulf led to the opening of a UD40 million hotel in May.

Ras Al-Khaimah

Ruler H.H. Sheikh Saqr Bin Mohammad Al-Qasmi

Although exploration continues and hopes of success are high, oil has not yet been found in commercial quantities. Nevertheless, with an area of 650 square miles and a population of 50,000, there is a substantial potential for development. In particular, foreign exchange earning from agriculture and fishing, which form the basis of the economy, could be considerably expanded. In addition, there is a small marble quarrying industry and a cement plant is about to open up. Development has been concentrated on public utilities: power and water supplies have been provided, port facilities have been built and an airport is being constructed.

Fujairah

Ruler H.H. Sheikh Hamad Bin Mohammed Al-Sharqi

With an area of 60 square miles and a population of 10,000, Fujairah is separated from the West Coast oil states by the Oman mountains and little of the oil Emirates' wealth has filtered through. Communications are the biggest problem. However, work has started on a road through the mountains, which is due to be completed by the end of 1975. The development of the fisheries, which with agriculture forms the mainstay of the economy, is the main hope for expansion; as yet no oil has been found.

Umm Al-Qaiwain

Ruler H.H. Sheikh Ahmed Bin Rashid Al-Mualla

Oil concessions have been recently awarded to four companies for exploration and production in offshore areas. The only present source of income for the 5,000 inhabitants is fishing and the State is being considered for the location of an industrial fishing project. Good road communications exist with the rest of the Emirates and a power station has been built.

Ajman

Ruler H.H. Sheikh Rashid Bin Humaid Al-Nuaimi

Ajman is the smallest of the seven Emirates, comprising 300 square miles o fragmented land with a population 5,000. Fishing is virtually the only sour of income. In early 1974, the union all cated £1 million for the construction sea walls to protect the fishing port fro silting up. As yet, no oil has been di covered, but a hydrocarbon exploratio and production concession has recent been awarded to an American con pany.

British exports to the Gulf stat have expanded considerably in rece years. Whereas in 1967 total expor amounted to some £52 million, they tota ed £185 million in the year ending Augu 1974. The major market for imports is the United Arab Emirates (mainly Ab Dhabi and Dubai) which account for som 37 per cent of current exports followe by Kuwait (23 per cent), Oman, Bahrai and Qatar. A large proportion of U exports comprises machinery and tran port equipment; other main expor are manufactured goods, chemicals an foodstuffs. Given the vast increase in revenues and associated development pr jects underway in the Gulf, there is co siderable scope for a further expansio Why are no Indian exporters reported be exploring the market?

Sources and acknowledgements: Th is the second of two articles summarisi reports on the fantastic develo ments in the Gulf States, following t Arabian "oil miracle" issued by t Barclays Bank Economic Intelligen Unit (54 Lambard St., London EC. 3 3AH), But the EIU is responsible neith for the emphasis of my summary not f my interspersed comments based on variety of sources.

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MOVING FINGER

Mr Kuldip Nayar, writing n *The Statesman* of January 15, informed s that the prime minister was greatly worried that our soil might not be prouctive enough to sustain a population f one billion by the end of this century. hope this does not mean that Mrs Gandhi s planning to stay in her present office or the next 25 years. In any case age of ourse need not necessarily be a bar to uch ambitions since she will be only 82 in he year 2000 A.D. — and the world has known of presidents or prime ministers who had chosen to be in harness at an age even riper than this. The Nehru family has repeated itself twice in the government of this country, the first time as a saga and the second as a sequel. A sequel, normally, should not outrun the main story. In any case one should have thought that the prime minister has more to concern herself with about the next 25 months than with the next quarter of a century in the matter of food and population.

It seems to me that, if our government could manage to assure minimum food at reasonable prices for 580 million people in 1975, we need not despair of a government in 2000 A.D. being able to feed a population even about twice that number. Time, I am convinced, is more on the side of the human race than against it. If this were not so, the steel age would not have succeeded the stone age, nor the atomic age the age of conventional electricity. Given sufficient time, mankind will always manage to solve its problems. Trouble arises only when the mere politician creates problems which he then finds he cannot solve within the time available to him. In any case it could surely be argued that what Mrs Gandhi should really be asking herself is whether India should at all have a population of one billion by 2000 A.D., not whether the Indian soil would be able to support it after it has grown to that size.

I am not saying that there is no need for us to take thought of the morrow in respect of the fertility of the soil or indeed of natural resources in their myriad forms, but I should certainly think that it is even more important that we should pay some attention to making the best use as of today of the natural resources currently available to us. "What has posterity done to me that I should do so much for posterity." This is not, as so many so readily assume, a selfish view that the present may be tempted to take of the future. On the contrary, the imagination and effort, the human ingenuity, skills and energy exercised in improving the circumstances of our living in its current context help also to build a better and still better world for a series of successive tomorrows. It is only generations which fail to fend for themselves properly in the times they happen to live in that are unduly worried about their place in history whether in terms of the past or of the future.

As with every creative resource land is not exhausted by what is taken out of it for it is also replenished with what we are putting into it. It is or must be a matter of common knowledge that some of the poorest soils in the world are those which have never borne a crop for the simple reason that they are too poor to bear one. It is equally well-known that some of the most fertile soils in the world are those which have been continuously encouraged to yield richer and yet richer crops. What matters then is how man tends the soil, and if the prime minister is worried about the soil being impoverished, she should be sitting up and taking notice of what is happening here and now than inflict on herself frightful visions of how the country may fare after 25 years have passed and the population has added another 400 millions to itself.

Years before Mrs Gandhi came into the government there were agricultural experts and officials in the administration who, for instance, were talking about cow dung or green manure. It was reported recently that a US firm had won a contract for shipping processed cow dung to the Persian Gulf states where this material would be used to build soil fertility into wastes of sand where no crop has ever been grown. Last year, when the oil crisis and the consequent squeeze on chemical fertilizers came to the fore, some of us thought that an effort would at last get under way to mobilize the resources of organic manure in our country. Perhaps it would be more profitable for the prime minister to ask why this is not being done in the context of the current needs of our country rather than write Cassandra notes on official files about land letting down man in or about the year 2000 AD.

Is it not about time that Mr D.P. Dhar should start packing his bags? There are rumours, however, that he may not after all be catching a plane to Moscow. It was known of course that he was less than enthusiastic about the Kremlin in his future. What is new is that he is reported to have renewed his efforts to make the prime minister to see it his way. Whether he would succeed remains to be seen but, if he does not, it may not be for want of arguments. Nobody can deny surely that he has an immense native capacity for politics and few will doubt either that the prime minister has or soon will have use in domestic politics for a man of his special or particular talents.

Incidentally and in fairness to Mr Dhar, who agreed to be Planning minister and Mrs Gandhi, who appointed him to that office, I must confess that I was one of those who did think that he could be the answer to the maiden-aunt prayers of Yojana Bhavan. Which reminds me of the meeting I had with him soon after he became Planning minister. He was gracious enough to ask me what I thought the Planning Commission could do to build up public interest in planning. I said that it would perhaps be a good idea to have something to sell and then go out and sell it. It seems to me that Mr Dhar, however, started selling before he had anything to sell and that, when he did so, he attempted to sell not planning or even any particular five-year Plan but just himself.

A Larsen and Toubro advertisement reminds us that, before the ancient Indians invented the zero, there was nothing. Could it be that the zero nevertheless remains a mystery to some of the present-day descendants of its original inventors? Or is it the case that, since our forefathers had invented the zero, we have a legal right to play with it? In *The Hindustan Times* of January 18 there was a PTI report on the enlargement of the IMF 'oil facility.' The caption given to it at the editorial desk was "IMF provides $101 billion as 'oil facility'." The amount seemed too good to be true. I admit that the OPEC countries are being more generous than many have ventured to hope, but to assume that they would pledge about 20 per cent more than their annual surplus of petrodollars is surely not reasonable. Actually, as the report itself made it clear, the sum was only $1.1 billion.

VB

TRADE WINDS

RBI Directive to Non-Banking Companies

For the information of non-banking institutions, their auditors and finance brokers, the Reserve Bank of India has explained the implications of some of the important provisions of the Reserve Bank of India (Amendment) Act 1974.

The term 'deposit' the RBI as clarified, includes, and was deemed always to have included, any money received by a non-banking institutions by way of deposit or loan or in any other form, but does not include money raised by way of share capital or contributed as capital by partners of firms. The definition of 'financial institutions' has been amplified so as also to include institutions conducting prize chits and/or conventional chits but to exclude industrial and trading concerns. It is statutorily obligatory on the part of the auditor of a non-banking institution to inquire whether or not it has furnished to the Reserve Bank returns or other information required to be furnished under the directions issued by the Bank and, if any institution has failed to do so, to make a report to the Reserve Bank giving the aggregate amount of deposits held by the institution. A new section makes it compulsory for brokers to disclose full particulars and information relating to non-banking institution on whose behalf they are canvassing for deposits. Moreover, without the written authority of the non-banking institutions concerned, brokers are prohibited from so canvassing for deposits.

The advertisements issued by share/investment/finance brokers in newspapers soliciting deposits on behalf of non-banking companies on attractive terms, besides offering incentives, free gifts, etc., often merely contain statement like "write for free catalogues as per Reserve Bank directives" and "particulars as per Reserve Bank directives will be supplied on request"; they do not give full particulars in respect of individual companies as required under the Reserve Bank directions. Such advertisements would be illegal and would attract the penal provisions prescribed in this behalf.

Dock Strike Called Off

The port and dock workers called off their four-day-old strike on January 20 after an agreement was reached by their leaders with the minister for Transport and Shipping, Mr Kamalapati Tripathi.

The workers will get an interim relief of Rs 120 a month for the period January 1 to July 5, 1974. For the period July 6 to December 31, 1974, the interim relief will be Rs. 100.

They will be paid an interim relief of Rs 50 a month from January this year which will be subjected to the additional emoluments compulsory deposit scheme.

The union leaders agreed to accept a lump sum payment of Rs 300 per worker for 1974. Out of this up to Rs 120 for the period from January to July 1974 will be paid in cash. The rest will be subjected to the additional emoluments compulsory deposit scheme.

The government has accepted the demand of the workers that the proposed wage revision should be effective from January 1, 1974.

DA for Central Staff

The government and representatives of central staff have reached an understanding on payment of three of the five instalments of dearness allowance due to the employees. The agreement was reached after talks between the Agriculture minister Mr. Jagjivan Ram, and the Confederation of Central Government Workers and Employees. Arrears of the three instalments of DA which fell due on June 1, July 1 and September 1, 1974, accruing till December 31, 1974, will be deposited in the general provident fund account of each employee for six months, until June 30, 1975, after which the employees will be free to withdraw them.

From January 1, 1975, the recurring payments of these three instalments will be made in cash after putting 50 per cent of the additional amount in the compulsory deposit account.

As regards the instalments which became due on November 1 and December 1, the mode of paying them will be discussed by the government with the Confederation on March 15 together with the question of revision of wages in terms of the third Pay Commission's recommendations. The Confederation has withdrawn the agitation by central employees. The burden of three instalment on the Exchequer is expected to be over Rs 90 crores. The decision represents a compromise and will stagger the burden on the Exchequer.

Symposium on Data Processing

The French Technical Co-operation Agency, ACTIM, in collaboration with the Department of Electronics, government of India, is organising a four-day symposium on electronic data processing at the Institution of Engineers Auditorium, New Delhi, starting on January 28, 1975.

At the symposium apart from presenting several pa leading french experts wi discussing on various to relating to data processing on projects in which Fr has developed consider expertise. An important pect of the symposium is substantial time allocation been made for in-depth cussions on topics of int between the French ex and their Indian coun parts.

Among the Indian inv is a wide ranging cross sec of electronic data proces experts drawn from the pu and private sectors as from the different minist and departments of the vernment of India. The Fre delegation, in addition experts from the various vernment departments has representatives of sev leading manufacturers s as CII, Schlumber Logabax, Sintra etc. will be presenting papers discussing the possibil of commercial manufac and use of e.d.p. compone sub-systems and systems also the prospects of ma facture of their products our country.

Quick Estimates of N tional Income: 1973-7

The "quick" estimates national income for the 1973-74 at constant (1960 prices, prepared by the C tral Statistical Organisat show an increase of 3.1 cent over the previous y against a fall of 0.9 per in 1972-73 over 1971-72. net national product (natio income) for India in 1973 is estimated at Rs 19, crores at 1960-61 pri with a per capita income Rs 340.1. The "quick" e mates are based upon the la available data of agricultu and industrial production 1973-74.

There has been an incre of 6.4 per cent in the come from agricultural sec in 1973-74 over 1972-73 wh is mainly due to a substant rise in food production d ing 1973-74 (6.6 milli

s) as compared with -73. There has, however, an appreciable fall in me from sectors like try and logging (3.7 cent), construction (6.1 cent) and railways (11.3 cent). The overall in- e in the national income thus been reduced to 3.1 cent.

The per capita income increased from Rs 337.4 1972-73 to Rs 340.1 in 3-74 at constant (1960-61) es thus registering a rise 0 8 per cent in 1973-74 r 1972-73. In 1972.73, on other hand, there has been ll of 3.2 per cent in per ita income.

At current prices, the ick" estimates of net na- al product (national in- e) for India stand at Rs 290 crores in 1973-74 ng a per capita income of 349.8. The per capita me at current prices in 1-72 and 1972-73 are Rs .6 and Rs 698.2 respecti-

A statement giving the mates of net national duct at current and cons- (1960-61) prices by indus- of origin for the years 3-74 and 1972-73 is given he Records and Statistics tion here.

ll in Exchange serves

The foreign exchange erves recorded a sharp line of Rs 132 crores at beginning of the year, stly on account of pay- nts for food imports. Des- the uptrend in exports, trade deficit widened to 337 crores in the first seven nths (April-October) of 4, the period for which cial data are available. sharp fall in foreign ex- nge reserves has occurred pite large drawings from F totalling Rs 550 crores 1974. India borrowed 200 llion SDRs (Rs 93 crores) m the IMF's three-billion R oil facility in 1974 agai- her entitlement of over million SDRs. The Fund agreed to recieve requests more purchases under last year's facility until February 28, 1975.

Indo-Pak Shipping Pact

India and Pakistan signed an agreement on January 15 paving the way for the resumption of direct shipping services between the two countries after a decade. The two countries have agreed to take steps to withdraw from February the restrictions on the entry of marchant vessels to each other's ports. Cargo between the two countries is to be carried on the principle of equality, both in regard to cargo liftings and freight earnings, on an anuual basis. Also, vessels of either country would load only such cargo as is destined for the other. The vessels of either country, their crew and cargo are to be given the most-favoured nation treatment in regard to their entry, stay, loading and unloading ofcargo and passage out of the ports.

Trade Delegrtion to Pakistan

An eight-member Indian team, led by Mr Y. T. Shah, Commerce secretary, left for

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JUNGUNT COMMERCIA GENTES

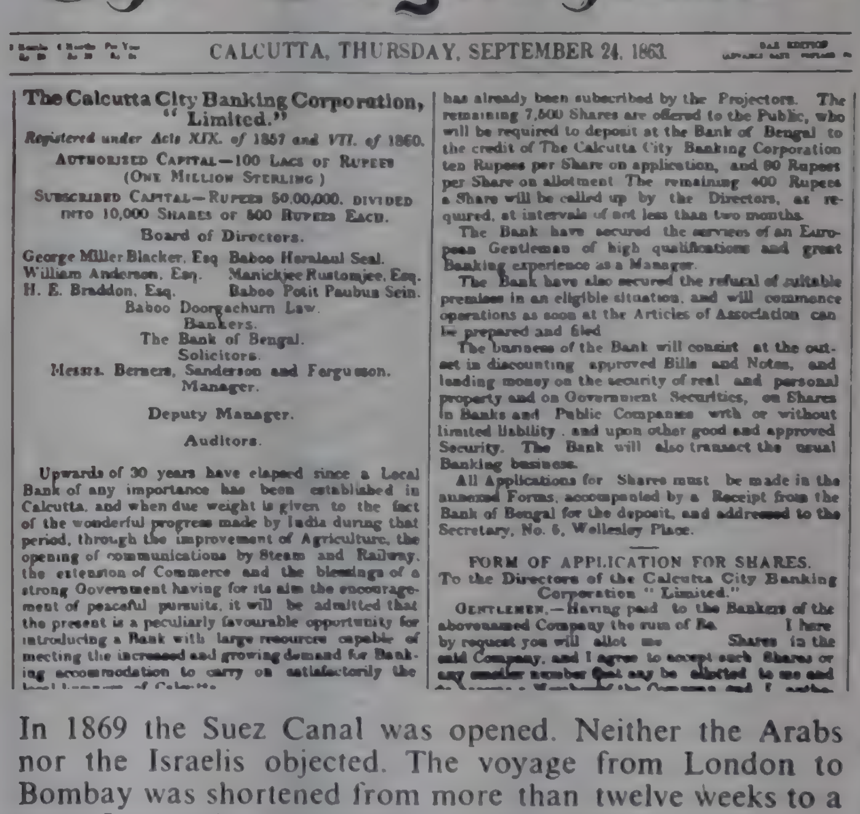
From National to Grindlays and a few facts in-between.

At dessert today I tasted for the first time bananas; the flavour is very much that of an overripe jargonella pear", Robert Orr Sawers, later founder and manager of The National Bank of India, wrote in his diary when he came out to India in 1861. It was an age when Englishmen kept diaries.

Calcutta was the seat of the Government, the change to Delhi coming many years later. The city must have immensely impressed Mr Sawers. An entry in his diary speaks of the "spacious and handsome" buildings and that "the maidan or public promenade is splendid—quite another Hyde Park in size and style."

In 1863 he headed The Calcutta City Banking Corporation Ltd., but in a few months its name was changed to The National Bank of India. In those days banks changed their names as often as the names of roads in Calcutta and Bombay are changed today. One of the first clerks was Babu Goberdhone Burral. He retired in 1912 as head clerk.

In 1865 The National opened a branch in Bombay. Shortly thereafter the Bank of Bombay closed.



The Englishman.

CALCUTTA, THURSDAY, SEPTEMBER 24, 1863.

The Calcutta City Banking Corporation, "Limited."

Registered under Acts XIX. of 1857 and VII. of 1860.

AUTHORISED CAPITAL—100 LACS OF RUPEES
(ONE MILLION STERLING)

SUBSCRIBED CAPITAL—RUPEES 50,00,000, DIVIDED INTO 10,000 SHARES OF 500 RUPEES EACH.

Board of Directors.

George Miller Blacker, Esq. Baboo Heralaul Seal.
William Anderson, Esq. Manickjee Rustomjee, Esq.
H. E. Braddon, Esq. Baboo Potit Paubun Sein.
Baboo Doorgachurn Law.

Bankers.
The Bank of Bengal.

Solicitors.
Messrs. Berners, Sanderson and Ferguson.

Manager.

Deputy Manager.

Auditors.

Upwards of 30 years have elapsed since a Local Bank of any importance has been established in Calcutta, and when due weight is given to the fact of the wonderful progress made by India during that period, through the improvement of Agriculture, the opening of communications by Steam and Railway, the extension of Commerce and the blessings of a strong Government having for its aim the encouragement of peaceful pursuits, it will be admitted that the present is a peculiarly favourable opportunity for introducing a Bank with large resources capable of meeting the increased and growing demand for Banking accommodation to carry on satisfactorily the

has already been subscribed by the Projectors. The remaining 7,500 Shares are offered to the Public, who will be required to deposit at the Bank of Bengal to the credit of The Calcutta City Banking Corporation ten Rupees per Share on application, and 90 Rupees per Share on allotment. The remaining 400 Rupees a Share will be called up by the Directors, as required, at intervals of not less than two months.

The Bank have secured the services of an European Gentleman of high qualifications and great Banking experience as a Manager.

The Bank have also secured the refusal of suitable premises in an eligible situation, and will commence operations as soon at the Articles of Association can be prepared and filed.

The business of the Bank will consist at the outset in discounting approved Bills and Notes, and lending money on the security of real and personal property and on Government Securities, on Shares in Banks and Public Companies with or without limited liability, and upon other good and approved Security. The Bank will also transact the usual Banking business.

All Applications for Shares must be made in the annexed Forms, accompanied by a Receipt from the Bank of Bengal for the deposit, and addressed to the Secretary, No. 6, Wellesley Place.

FORM OF APPLICATION FOR SHARES.
To the Directors of the Calcutta City Banking Corporation "Limited."

GENTLEMEN,—Having paid to the Bankers of the abovenamed Company the sum of Rs. I hereby request you will allot me Shares in the said Company, and I agree to accept such Shares or any smaller number that may be allotted to me and

In 1869 the Suez Canal was opened. Neither the Arabs nor the Israelis objected. The voyage from London to Bombay was shortened from more than twelve weeks to a mere five weeks. And when the Indo-European telegraph came two years later, the marvels of modern communication must surely have seemed to reach a high water mark.

The bank obtained a 999-year lease, commencing from August 1867, for the site on which its main Bombay branch stands. The Save Bombay Committee did not object to the lease. A condition of the lease was that the bank should not conduct the trade or business of a Publican, perhaps because of the proximity of the new University of Bombay.

It was the year the Bombay, Baroda and Central India Railway began operating its suburban service from Backbay to Virar, very convenient for bank clerks residing in the distant suburbs of Charni Road and Grant Road.

It is not known how much the clerks were paid, but Mr Sawers, chronicler of bananas and other tropical fruits, received £1,500 per annum, though during three months' leave of absence in 1868, £40 per mensem was deducted from his emoluments and added to those of Mr Anderson for the latter's additional responsibilities as acting-manager in Calcutta.

At this point in our narrative, we must dwell upon the life and times of Captain Robert Melville Grindlay. He arrived in India in 1803. His military career was notable for its brevity. He retired on half pay, which for his rank amounted to five shillings a day. Thereafter he held several staff appointments, including that of the A.D.C. to the Governor of Bombay. Grindlay then turned to travel agency business and found it far more lucrative than anything he had done before. Business was brisk and inevitably led to banking. The first branch of Grindlay & Co. was started in Calcutta in 1854.

Dhanjishaw Framji Bhamjee joined the Bombay branch as a clerk in 1892, one of the first of the long line of Parsi gentlemen who work in the banks of Bombay. He retired in 1942 as chief cashier.

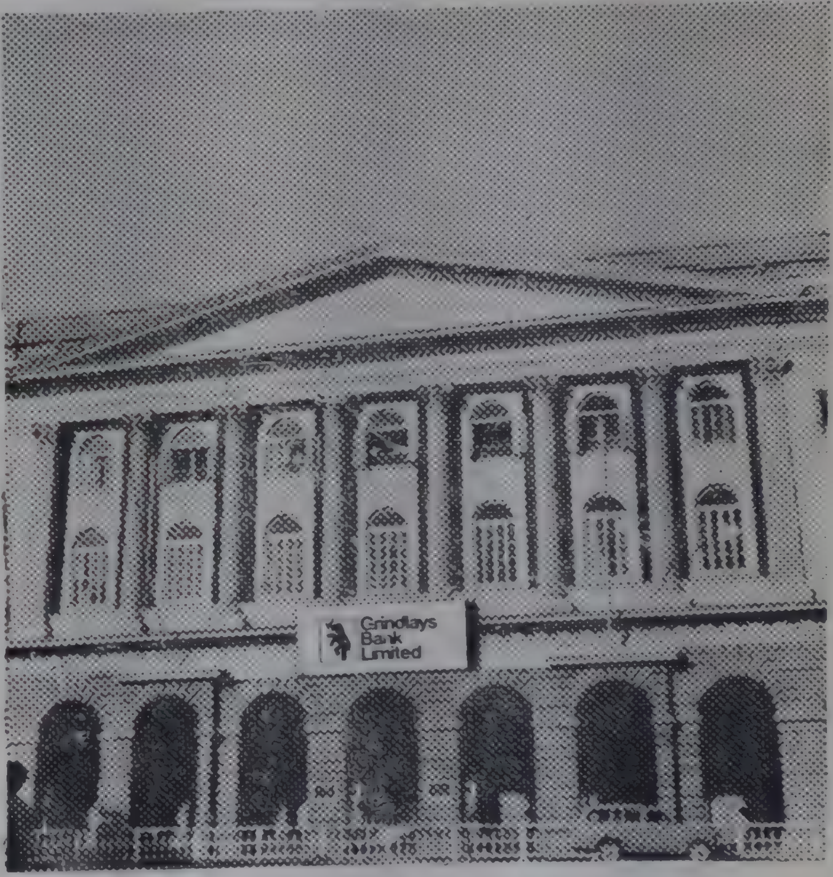
When he came to the bank, there was a large garden in the back where the manager's pony and trap were kept. The office was illuminated by gas and cooled by pull punkahs.

The world was changing. The price of unhusked rice had gone up to the astronomical figure of a full rupee for 25 seers. The rate of taxation had soared to heights previously unattained in India. It was estimated that on an average a person paid 8 annas per head. The post office was giving competition by starting its own savings bank. Minimum deposit was 4 annas and interest 3¼ percent on every complete Rs 5. The first Indian census (in 1881) showed 198 million in British India, 55 million in the princely states and that was a lot of people.

The bank was opening branches; from Nuwara Eliya to Mandalay and Amritsar to Aden-Steamer Point. His Highness the Sultan of Zanzibar opened a personal account in the Zanzibar branch. In 1912 the Simla branch was opened. It was a very warm year.

And in 1914 everybody went to war.

And in 1958 The National Bank of India became National Overseas and Grindlays Bank and in 1959 it became National and Grindlays Bank Limited. In 1961 Lloyds branches in India became a part of National and Grindlays. And on January 1, 1975 National and Grindlays Bank Limited has become Grindlays Bank Limited. And the circle is complete—from National to Grindlays.



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Limited**

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The liability of members is limited.

Branches in Amritsar, Bangalore, Bombay, Calcutta, Cochin, Darjeeling, Delhi, Gauhati, Hyderabad, Kanpur, Madras, New Delhi, Simla, Srinagar, Tuticorin.

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Pakistan on January 19, for talks on trade between the two countries. While working out a trade agreement, the two delegations are expected to make suitable arrangements for payment through official banking channels. The Indian team therefore includes representatives of the State Trading Corporation and the State Bank of India. Following the lifting of embargo on trade between the two countries on December 7, an Indian team had been to Pakistan to explore the possibility of importing cotton. The Pakistan Cotton Corporation may send a team to India soon in this connection. The protocol signed in November had identified certain commodities having good trade potential. These included raw cotton, engineering goods, jute manufactures, iron ore, railway equipment, rice and tea.

Indo-Tanzanian Joint Commission

Indo-Tanzanian economic cooperation entered a new phase when the two governments agreed to set up a joint commission for economic, technical and scientific cooperation. Some of the immediate tasks before the joint commission, which will meet soon, will include an assessment of the projects already undertaken in Tanzania with Indian assistance. The commission will also consider joint ventures in spheres like electrical goods, machine tools, farm implements, bicycles etc. A fair measure of technical cooperation exists already between India and Tanzania in the form of exchange of experts and provision of training facilities in India in the fields of engineering, architecture, medicine and industrial management. Some 500 Indian experts are now working on various projects in Tanzania.

Association of Iron Ore Nations

A draft constitution for forming an association of iron ore producing countries to secure remunerative prices for this commodity in export markets was unanimously adopted at the three-day conference of officials of these countries in New Delhi recently. The conference adopted a document detailing the articles of association of the proposed iron ore body. Ministers from iron ore producing countries will meet in Geneva on April 2 and 3 to discuss the draft constitution. The proposed association is likely to be flexible enough to accommodate the views of iron ore consumers also. The committee discussed the broad objectives for an association covering cooperation among member-countries to safeguard their interests in relation to iron ore export, assisting the member countries to secure fair and remunerative returns from exploitation, processing and marketing of iron ore, interests of importing countries., decision making powers and other matters. In view of the rising cost of fuel and other inputs, the increase in the cost of iron ore had not kept pace with the hike in the price of other raw materials going into steel production like coking coal.

Indian Cloth Exports to EEC

The European Economic Community and India have made considerable progress towards an agreement on Indian textile exports to the Community. Four days of talks in Brussels recently had narrowed differences and the remaining issues have been sent to experts for study. The main problem is the size of Community quotas for Indian finished cotton fabrics and house-hold linen. India wants the Community to push up its offer by at least 70 per cent. The two sides will meet again for another round of talks next month. Negotiations for partnership between the Common Market and 46 developing countries however foundered in apparent confusion despite intensive talks in special committees. The sugar price is a key part of the overall trade and aid package being negotiated to replace the existing Yaounde and Arusha conventions. Britain has so far refused to budge from an offer of £250 per tonne for 1975, while sugar producers want at least £283. The ministers will have to meet at least once more to complete the negotiations. Other major problems that are still unsettled, are the amount of financial aid to be given to the 46 nations and trade concessions to be offered for their good exports.

PM's Visit to Iraq

Mrs Indira Gandhi returned on January 21, from a three-day official visit to Iraq for talks with Iraqi leaders. Iraq is one of this country's major trading partners in that region and the two countries are trying to expand the area of cooperation in economic and industrial fields. Mrs Gandhi's visit was preceded by talks between the experts of the two countries culminating in the three-day meeting of the Indo-Iraq Joint Commission. The commission has identified several areas in which the two countries can cooperate. The two countries have decided that the trade between them in 1975 be doubled. In 1975 Iraq will maintain its supply of crude oil at last year's level of 2.8 million tonnes. The two countries have reached a broad agreement for setting up a spong iron plant in Iraq and an iron pellatisation plant in India.

Price Rise in Two Years

Wholesale prices in the last two years rose by 46.4 per cent. In 1974 they increased by 27.2 per cent—a record—and in 1973 by 19.2 per cent. The official calendar year average wholesale price index for 1974, stood at 304.6 per cent as against 239.3 for 1973, a 27.2 per cent rise. But the index for December, 1974, was about one per cent lower than that for November, the respective indices for the two months being 316.9 and 320. The last week of the year also showed a downward trend; the index at 315.3 was 0.3 per cent lower than in the previous week, because of a fall in prices of f articles and liquor tobacco. Prices in the week of the year, howe were 18.6 per cent higher t those ruling in the same w of 1973.

Foodgrain from US

The United States agreed to sell one mill tonnes of wheat worth $ million to India this ye One half of this grain be made available now the balance before the of June, subject to final al cations by the US Dep ment of Agriculture. This w disclosed by Mr C. Subran niam in Washington recent US officials have confirm only that negotiations underway on 300,000 ton of US wheat for India w the agreement expected to signed shortly. The US fo agreement with India mar the resumption of food sa at concessionary prices, f the first time in more th three years. India is in ne of three million tonnes food grain by the end of Jur Mr Subramaniam said.

Gold Prices

The 126 countries of t International Monetary Fu have agreed to abolish t official price of gold, th putting an end to the priv leged role gold has played the international moneta system for the past 30 year The decision opens the w to elimination of any refer nce to gold in the IMF stat tes, and amounts to a ne step towards release of tl gold stocks held by centr banks. The IMF membe agreed to lift the obligatic to pay one-fourth of the IMF quotas in gold. Endin of the official prices for gol climaxes a series of steps i the direction of permittin gold-holding countries to us the metal as they see fit. Sinc 1970, when the free marke price of gold began to diverg from the then official price c $35 an ounce, central bank have abstained from transac tions at that price. Restric tions began disappearing las year. Central banks were abl

ell all or part of their
reserves on the free
ket. Elimination of the
ining official restrictions
use of gold by Central
k—especially as regards
and purchase on the free
ket—will require further
ussions over several
ths.

The decision to abolish the
ial price of gold will in-
se the value of India's
l reserves by nearly four
es from Rs 182 crores at
ent. These gold holdings
ld be used for settling fore-
payments now that there
o sanctity attached to gold
a minimum quantity of
ch no longer needs to be
t by the Reserve Bank.
nce has already revalued
gold holding according to
market price and every
er country will now follow
t. The US government,
ich has the largest gold
dings in the world, recen-
lifted the ban on private
d sales. The international
netary Fund's unit of
ount, the Special Drawing
ht (SDR), will now become
means for calculating and
tling international payments.
ch country has a certain
nber of SDRs allotted to it
l can draw on these when
balance of payments diffi-
ties.

ames in the News

Professor K.V. Sivayya of
Andhra University has
en unanimously elected as
sident of the Indian Com-
rce Association, 1975, an
l-India Academic Body.

He is also associated with
rious professional bodies at
regional and national
el such as All-India Board
Technical Studies in Com-
rce (Government of India)
d All-India Management
sociation, Indian Labour
search Institute, Indian
uncil of Social Science
search. His publications
clude: Trade Union Move-
ent in Visakhapatnam,
dustrial Relations in Visa-
apatnam Port, Industrial
elations in Selected Units of
gar Industry and Indian
dustrial Economy.

Cocoa grows in India—Cadbury-Fry research yields paying cash crop.

Cocoa today is a paying cash crop for the Indian farmer. At the current rate of progress it will be a profitable commodity with which India can enter the world market in the next 5 or 6 years. This will be an important breakthrough in the country's foreign trade.

The cultivation of cocoa is truly a pioneering agricultural achievement. A decade ago, growing cocoa in India was considered impossible. Tentative attempts had been made from time to time with no success. Then, almost ten years ago, Cadbury-Fry took up the challenge and started serious, systematic and scientifically-based cocoa cultivation.

Cadbury-Fry collaborated with local farmers and the State Governments in locating suitable areas in South India and in selecting and preparing plots; they also imported and distributed free all the required cocoa seeds. The areas were successfully extended and today 4500 acres are under scientific cultivation. Cadbury-Fry's world-wide experience with cocoa and their knowledge of Indian conditions has helped through all the stages of land selection, seed supply, transplanting, nurturing and ensuring healthy harvests.

The farmer is now encouraged by the yields of this high-return cash crop and Cadbury-Fry have guaranteed market offtake, and a minimum price. By the 1980's it is expected that India will grow enough cocoa to meet her domestic needs, and in fact be in a position to enter the international market with this commodity. Right now the unfulfilled world demand for cocoa is enormous because, while nearly the whole world consumes cocoa (and its products), only very few countries can grow and export it. This gives India a great opportunity to step in and fill the gap.

In addition to jute and tea, cocoa could thus become a significant export commodity for India and the resultant foreign exchange earnings could be considerable.

Cadbury-Fry
making India the cocoa country.

CMCF-1-253

COMPANY AFFAIRS

Subdued Trading

THE DOWN-DRIFT in equities persisted during the past week. The stir by jute workers, strike by dock labour and reports that there would be stricter control on the corporate sector, effective from February 1, under the amended Companies Act gave a severe jolt to marketmen. The nearness to the central budget and the disturbing forecasts about the likely budgetary deficit further dampened market sentiment. It looks that the market will remain listless till the budget is presented to Parliament. Marketmen are hoping for a modification in dividend ordinance and until and unless the dividend control is relaxed considerably the investment market is not likely to revive.

Dalal Street opened last week on a steady note but it turned easy as the week progressed. Equities lost ground on tired bull liquidation and fresh bear hammering. The volume of business continued to be restricted. After being subdued for a major part of the week under review share values on the Calcutta Stock Exchange rallied moderately at the close of the week on fresh support. In the clearing section activities centred round Birla Jute, Dunlop, Orient and Hindustan Motors. There was scattered interest in tea shares. Activities on the Madras Stock Exchange during the two days it was open last week, was restricted to few select scrips. The tendency, on the whole, was easy.

Voltas

Voltas has staged a smart recovery from the setback it suffered during 1972-73 on account of the strike for over three months. It earned a handsome gross profit of Rs 4.70 crores for the year ended August 31, 1974 as compared to Rs 3.74 crores in the previous year, an increase of about 26 per cent. Sales during the year spurted to Rs 168.32 crores, recording an increase of as much as Rs 28.82 crores or about 20 per cent over 1972-73. Out of the gross profit, the directors have appropriated a sum of Rs 72.16 lakhs to depreciation reserve, Rs 2.06 crores to taxation and Rs 10 lakhs to development rebate reserve, as compared to Rs 62.08 lakhs, Rs 1.87 crores and Rs 4.50 lakhs provided respectively in 1972-73. This leaves a net profit Rs 1.81 crores as against Rs 1.20 crores in the previous year and the entire amount was transferred to the general reserve. The directors have recommended a dividend of 10.5 per cent for 1973-74 as against 17 per cent paid in the previous year. The proposed dividend will absorb Rs. 62 73 lakhs and will be paid out of the general reserve. The company proposes to commence the manufacture of centrifugal air conditioning at its Thana works by the middle of next year. The cost of the project is estimated at Rs 4 crores and it will be financed from internal sources and borrowings. Its exports which went up to Rs 1.50 crores from Rs 51 lakhs in 1972-73, is expected to increase further during the current year.

Standard Mills

The board of directors of Standard Mills Company will take a decision regarding the issue of bonus shares at its meeting scheduled to be held around the middle of February. The company will complete at the end of the current month the 40-month period between two bonus issues stipulated under the government's guidelines for bonus issues. Meanwhile the company has reported satisfactory progress during the nine-month period ended December 31, 1974. Its sales during April-December amounted to Rs 39.62 crores as compared to Rs 31 crores during the corresponding period of 1973-74, recording an increase of about 28 per cent. Its exports have nearly doubled to Rs 3.89 crores. The increase in turnover, however, should not mean a proportionate rise in profits. The company had to contend with several adverse factors in the last quarter of 1974 although trading conditions have improved lately. The company has still to face the question of power supply. The company's production of chemicals has been adversely affected on account of the power cut. Output of caustic soda is currently regulated at 140 to 150 tonnes per day as against the capacity of 170 tonnes a day. In the meantime the company has received government's approval for expansion of its daily production capacity by 100 tonnes and also the sanction for the necessary foreign exchange. The expansion is likely to be completed by the middle of 1976.

Mafatlal Fine

Mafatlal Fine Spinning and Manufacturing Co. has reported higher sales in the first nine-months of the current year ended December 1974 at Rs 36 crores as compared to Rs 32.3 crores in the same period of last year. Exports, however, was a shade lower at Rs 2.05 crores—Rs 0·75 crore less than in the corresponding period of the preceding year The overall profitability however, has been maintained during the period. The chemicals division is working satisfactorily. Power shortage ha not affected it mainly due to the installation of generatin sets. The sales of this division have suffered in the past few months as the aluminium plants which are the main consumers for the products of thi division have been facing acute shortage of power. I is, however, hoped that the profitability of the chemical division will be maintained during 1974-75. The working of the textile division is also expected to improve in the fourth quarter of 1974-75.

Madura Coats

Madura Coats, a new company formed by the merger of three existing companie viz Madura Mills, J and P Coats and A and F Harvey, wil soon be offering shares held by the existing foreign shareholders with a view to reducing the foreign shareholding from about 60.6 per cent to 40 per cent. The terms and conditions of the offer are still to be decided by the Controller of Capital Issues. The integration of these companies will go a long way in achieving higher utilisation of the existing capacities and thereby help reduce manufacturing and operating costs. Further the reduction in foreign shareholding will result in foreign exchange savings on account of lower remittances abroad by way of dividends. Besides there will be a substantial expansion in exports as the company has given an undertaking to the government of exporting textiles and thread worth Rs two crores a year for a period of five years in addition to the combined exports of about Rs 7.5 crores a year of the merged companies. As part of its diversification programmes the company proposes to set up a plant for an industrial nylon yarn project at an estimated cost of Rs 11 crores. The management is currently negotiating with the government details about the export obligation for undertaking the lon project. Besides it is ploring the possibilities of vestment in engineering elds. It has also applied for tting up a garments factory volving an outlay of Rs 40 khs. Meanwhile the company has secured an industrial icence for the manufacture of yesprings. The cost of this roject is expected to be round Rs 20 lakhs.

Shriram Fibres

Shriram Fibres Ltd, a company promoted by the Delhi Cloth and General Mills Co. Ltd has set up a plant for manufacture of nylon-6 tyre cord at Manali Industrial Complex, Madras. This is the first production unit of its type in Tamil Nadu. The total outlay on this project is about Rs 12.20 crores, including the foreign exchange component. The cost has been met by loans and by issue of equity and preference shares, out of which 40 per cent equity shares are held by Delhi Cloth and General Mills. The plant is designed for a rated capacity of 2000 tonnes per annum of high tenacity tyre yarn and fabric. It has been set up with the technical collaboration of M/s Chemtex Fibres Inc. New York, Chemtex Engineering of India Ltd and M/s Unitika Ltd of Japan, the latter being one of the largest producers of high quality nylon industrial yarn in the world. The start up of the plant commenced on December 30, 1974. Every effort is being made to make the plant to reach its full rated production of six tonnes per day. At present the company is encountering two serious difficulties. As against the requirement of 5500 KVA of electric power, it is now getting only 1000 KVA from Tamil Nadu Electricity Board on account of the severe shortage of power in the state. Even this restricted power supply is not available to it on an assured basis. The other difficulty is on account of the basic raw material caprolactum which is not yet available to it from Gujarat Fertilizers. Although the company has been permitted a limited quantity of imports, it is hardly sufficient to meet its requirements.

Kothari (Madras)

Kothari (Madras) Ltd has made considerable progress in its proposal for the setting up of caustic soda plant. Barring unforeseen circumstances the plant is expected to go into production by early 1977. The investment in this project is expected to be of the order of Rs 15 crores while the gross profit before depreciation and provision for taxation is estimated to be between Rs 2 to Rs 2.5 crores. This was disclosed by the Chairman Mr D. C. Kothari while addressing the annual general meeting of the company.

The year ended June 30, 1974 was an excellent year for Kothari (Madras). A record was set up in profit during the year. The plantation division produced 19.14

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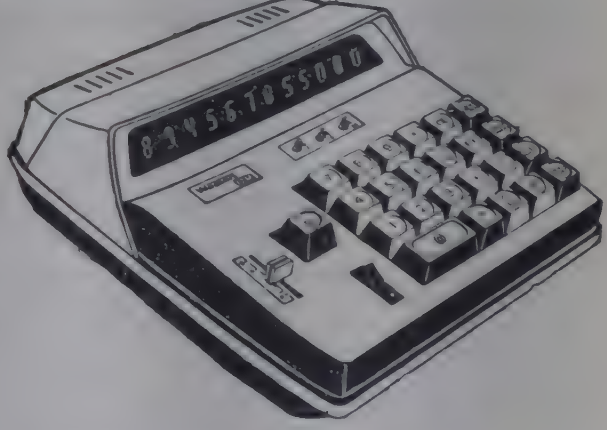

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lakhs kgs. of tea and 923 tonnes of coffee while sales of tea and coffee amounted to Rs 1.56 crores and Rs 66 lakhs respectively during 1973-74. As regards the textile division the turnover was of the order of Rs 13.11 crores as against Rs. 6.20 crores in the preceding year. While its sales overseas of cloth and yarn fetched for the company a sum of Rs 76.40 lakhs as compared to Rs 43.93 lakhs in 1972-73. While the textile division made excellent profits during the year under review, its operations continued to be hampered considerably due to inadequate liquidity of funds arising out of the credit squeeze. While in physical terms the inventory of raw materials and finished goods on an average were not significantly different from the one it is accustomed to hold in terms of quantity, the inventories in terms of value were at unprecedented levels.

Kothari's fertiliser division has fared well and is now planning to embark on an expansion programme to raise the capacity of sulphuric acid plant from the present capacity of 15,000 tonnes to 18,750 tonnes per annum. The company hopes to implement this scheme as soon as the financial arrangements are finalised.

Kothari (Madras) is an amalgam of five companies viz. Waterfall Estates Ltd, Blue Mountain Estates and Industries Ltd, Balmadies Plantations Ltd, Kothari Textiles Ltd and Adoni Spinning and Weaving Company Ltd. One of the primary objectives of the scheme of amalgmation was to utilise more effectively the resources of the amalgamated companies to provide a steady rate of return to the shareholders and achieve greater financial stability to enable expansion, diversification etc. Keeping this objective in view the company is branching out into new and profitable ventures.

Ashok Leyland

Ashok Leyland Limited has announced that with effect from January 1975, the net dealer price of its whole range of 'Comet' vehicles will be reduced by Rs. 1,866/- each. During 1974, as a result of much higher production, and greatly improved productivity and efficiency, the company reduced its costs of manufacture. These reduction were achieved despite the high rate of inflation and much higher prices paid to the suppliers of materials and components. It has always been Ashok Leylands policy to maintain its selling prices at as low a level as possible, and. pass on the benefits of lower costs—to its customers.

The reductions bear tangible evidence that the policy of voluntary price control recently introduced by the minister of Industry and Civil Supplies, Mr T.A. Pai, can operate successfully and to the benefit of the consumers. This is the second reduction in prices announced by Ashok Leland in the past three months. It will be recalled that the company was the first manufacturer to pass on to its customers the profit of the lower price of tyres announced by the tyre manufacturers in November 1974.

Deepak Insulated Cable

Deepak Insulated Cable Corporation has completed its expansion programme and its present capacity is 1,900 tonnes of winding wires and strips. It started with an annual capacity of only 400 tonnes in August 1966. For 1975-76, sales are expected to rise to about Rs 7 crores. The company has plans to set-up a joint venture for manufacturing winding wires in Canada in collaboration with a Canadian entreprenur. The Canadian counterpart will provide all the technical know-how for this plant. The cost of the plant is estimated at $1 million. Equity participation will be given for the collaborator for the cost of the machinery and plant supplied to the new company.

News and Notes

India's first micro-computer-MOSCAL 1080PS—designed and produced by *DCM Data Products* was launched in New Delhi at a special function held at Oberoi Intercontinental Hotel on January 16, 1975. The Moscal 1080PS is a programmable scientific desk top electronic calculator with 10 independent memories and 36 functions and operations and weighs less than 5.5 kilogrammes. The scientists feel that this new data processing machine will prove a boon to research laboratories and institutions in the country and they also feel that it is a significant achievement of the Indian technologists in this field. So far such machines can only be imported at considerable expenditure which involves substantial foreign exchange. The saving in foreign exchange, by the introduction of this indigenous micro-computor will be to the tune of Rs 50 lakhs per annum.

Reliance Heat Transfer Private Limited has made a promising start in exports. The company opened an export division only last year and has so far earned Rs eight lakhs in foreign exchange.

The main destinations of its exports are the Middle-East countries. A big order from Muscal is expected. The company, which has emerged as a leading manufacturer of heat transfer equipment for a variety of industries, is putting through an expansion plan which will enable it to produce an additional Rs. 50 lakhs worth of equipment. In view of the rising demand for the company's products in the South, a branch office is being opened in Madras to be followed by offices in Calcutta and New Delhi.

Tata-Merlin & Gerin, an Indo-French venture, leading manufacturers of switchgear and allied power distribution equipment in the country, Presented a small but impressive display at the 'ELECRAMA 75'—an exhibition of the electrical engineering industry organised by the Indian Electrical Manufacturers' Association at the Sunderbai Hall from January 15 to 21, 1975. The TMG display highlighted its R & D activities and the efforts made by the Company towards imports substitution and development of ancillaries. The Company has subcontracted the manufacture of several critical components to over 175 ancillary industries thus generating a cycle

V.S. DEMPO & CO. PVT. LIMITED

Registered Office
Dempo House
Campal, Panjim (Goa)

It is hereby notified for public information that M/s. V. S. Dempo & Co. (P) Ltd., have submitted an application on 13-1-75 under Section 22 of the Monopolies & Restrictive Trade Practices Act, 1969 to the Department of Company Affairs New Delhi, for setting up a Milk Products Unit at Jamkhandi, Bijapur District, Karnataka State, for the manufacture of whole milk powder, skimmed milk powder, baby food and weaning foods.

Any person interested in the matter may make representation to the Secretary, Department of Company Affairs, New Delhi, within a fortnight of publication of this notice.

V.S. DEMPO & CO. PVT. LTD.
S. K. Deshpande
Secretary

of employment at different levels. The Company also has to its credit an export performance of about Rs 120 lakhs during the last two years.

New Issues

Tri-Sure India, will be entering the capital market shortly with a public issue of 172,339 equity share of Rs 10 each at a premium of Rs 7.50 per share. The company is a wholly-owned subsidiary of American Flange and Manufacturing Co Inc, USA. It is producing such products as flanges, plugs, seals and light closures used to close drums carrying oil and heavy chemicals. It sells overseas about a third per cent of its production. During 1973-74 the company earned a net profit of Rs 18.81 lakhs on a turnover of Rs 1.85 crores. The directors have proposed a dividend of 12 per cent for the year ended August 31, 1974. The company's working in the current year is reported to be satisfactory and the directors are hopeful of declaring a fair dividend on the enlarged capital. The present issue is being made to dilute the foreign holding in the company's share capital to 49 per cent and also to provide funds for working capital. The public response to the company's offer of shares is likely to be good considering the prospects of a bonus issue and a reasonable rate of return.

Davanagere Sugar Company Ltd, promoted by the Karnataka State Industrial Investment and Development Corporation Ltd and Karnataka Agro Industries Corporation, will be entering the capital market on January 27 with a public issue of Rs 55 lakhs, all in equity shares of Rs 10 each. The subscription list for this fully underwritten issues will close on Feburary 6 or earlier but not before January 29. The company had set up a plant at Davanagere with an installed capacity of 1250 tonnes a day. The plant was commissioned at the end of October 1974 and is crushing at present 1000 tonnes of sugarcaue per day. It hopes to reach the rated capacity of 1250 tonnes shortly. The plant, supplied by Walchandnagar Industries on turnkey basis, is designed for a capacity of about 2000 tonnes a day. The capital outlay on the project is estimated at Rs 4 crores and it will be financed by the share capital of Rs 1.60 crores and term loans of Rs 2.40 crores. The company hopes to declare dividend in the second year in view of assured profitability. Equity shares worth Rs 44 lakhs have been allotted to farmers in the surrounding areas and this ensures adequate supply of sugarcane. The company hopes to erect a paper plant and distillery as part of its expansion plan. It has already requested the government to raise its capacity for crushing sugarcane to 3000 tonnes a day.

Dividends

(per cent)

Name of the Company	Year ended	Equity dividend declared for	
		Current year	Previous year
Same Dividend			
Mercara Rubber	June 30, 1974	10.0	10.0
Reduced Dividend			
Trichi Steel Rolling	Septr. 30, 1974	7.5	12.0
Champarun Sugar	June 30, 1974	Nil	15.0
Kirloskar Brothers	July 31, 1974	9.8	12.0
Matchwel Electricals	Septr. 30, 1974	6.0	9.0
Ravalgaon Sugar	Septr. 30, 1974	7.5	16.0
Madura Sugars	Septr. 30, 1974	4.0	20.0
Saraswati Ind. Syndicate	August 31, 1974	9.0	18.0
Bhopal Sugar	Septr. 30, 1974	Nil	20.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the month of October 1974. The list contains the names and addresses of the licensees, articles of manufacture, types of licences viz New Undertaking (NU) New Article (NA), Substantial Expansion (SE), Carry on Business (COB) and Shifting —and annual installed capacity. Details regarding licences and letters of intent revoked, rejected or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

Shri D.R. Sondhi, N-17 Panchsheel Marg, New Delhi.—(Alwar-Rajasthan)—Mettalic Industrial Springs—300 tonnes.—(NU).

Sh. S. Indermohan Singh Grewal, Managing Director, Upper India Steel Mfg. & Engg. Co. (P) Ltd., Rattal Bldg. Deri Rd., Opp. District Courts, Ludhiana-141001.—(Ludhiana-Punjab)—Bars & Rods of mild steel including low alloy steel categories—11,000 tonnes.—(COB).

M/s Tin Manufacturing Co. of India, 141, Naya Bazar, Delhi-6—(Ghaziabad-Uttar Pradesh)—Printed & Unprinted Containers upto 18 litre capacity—800 tonnes. Agricultural Implements—950 tonnes.—(COB).

M/s New Digvijay Singhji Tin Factory, Grain Market, P.O. No. 24, Jamnagar. (Gujarat)—(Baroda-Gujarat)—Printed Tin Containers—300 tonnes—(COB).

M/s Ashok Products, Pratap Bungalow, Fatehpura, Baroda —(Baroda-Gujarat)—Tin Containers—250 tonnes.—(COB)

M/s Industrial Containers Ltd., 21, Netaji Subhas Rd., Calcutta.—(Calcutta-West Bengal)—Mild Steel Drums/Barrels (160 litres and above)—8,000 tonnes inclusive of earlier licensed capacity of—6,000 tonnes—(COB).

Sh. S.M. Kapadia, M/s Hind Containers 'Nirant' 14th Road, Khar, Bombay-52—(Thana-Maharashtra)—Oil Drums(200/210 litres)—600 tonnes.—(COB).

Sh. H.K. Khaitan, M/s Hind Galvanising Co. 96, Garden Reach Road, Calcutta-1—(Lilloah-West Bengal)—Small Drums upto 150 litres capacity—1800 tonnes inclusive of 1,400 tonnes of small drums already registered. Bitumen Drums—400 tonnes inclusive of 200 tonnes already registered.—(COB).

Sh. H. K. Khaitan, M/s Hind Galvanising Co. 96, Garden Reach Road, Calcutta-1—(Lilloah-West Bengal)—Oil Barrels (200/210 litres)—8,200 tonnes—(COB).

M/s Steel Containers Ltd., 21. Netaji Subhas Road, Calcutta—(Bombay-Maharashtra)—Mild Steel Drums/Barrels—17,500 tonnes—(COB).

M/s Special Steels Ltd., Datta Para Road, Borivli (East) Bombay—(Bombay-Maharashtra—Bright Bars—2,400 tonnes—(COB).

M/s Hindustan Melleables & Forgings Ltd., Jalan Nagar, P.O. Bhuli, Distt. Dhanbad (Bihar)—(Dhanbad-Bihar)—Grey Iron Castings 300 tonnes; Alloy Iron Castings 60 tonnes—(COB).

Sh. Vallabhdas Vithaldas Patel, Director, M/s. Forge & Forge Pvt. Ltd., Galaxy Cinema Building, Race Course, Rajkot (Gujarat)—(Rajkot-Gujarat)—Close Die Forgings—3,000 tonnes —(NU).

M/s Nava Karnataka Steel Pvt. Ltd., 115/XVII, Gokul Building Double Road, Bellory (Karnataka)—(Bellory-Karnataka)—M.S. Ingots; Electrode quality carbon steels; Forging quality carbon steels; Hardening & tempering quality carbon quality carbon steel; Cold heading quality carbon; carbon steels; Carbon, Carbon Manganese qualities of springs steels; Silico Carbon Tool Steels; Free cutting quality carbon sulphur steels; 9,000 tonnes—(COB).

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M/s Metalman Pipe Mfg. Co. Ltd., 17-19, Industrial Area, Sanwar Road, Indore-3—(Indore-Madhya Pradesh)—Steel Pipes and Tubes—1,100 tonnes—(COB).

Sh. V. P. Gupta, M/s Steel Ingots Pvt. Ltd., Trivedi Chambers, 2, Maharani Road, Indore—(Dewas-Madhya Pradesh)—M.S. Ingots; Electrode quality carbon steel; Forging quality carbon steels; Cold heading quality carbon steels Hardening and tempering quality carbon steels; carbon, carbon-Manganese and silico Manganese qualities of spring steels; Carbon tools steels; Case hardening quality carbon steels; Free cutting quality carbon sulphur steels—9,000 tonnes— (COB).

M/s Madras Motors Pvt. Ltd., 36-C, Mount Road, Madras—(Ramnad Distt-Tamil Nadu)—Steel Forgings—630 tonnes—(COB).

M/s Echjay Steels, Aji Industrial Estate, Lalpari Lake Road, Rajkot—(Rajkot.Gujarat)—Machine closed die steel forgings—3,200 tonnes—COB).

M/s Ellora Engg. Co. Ltd. 20, Second Line Beach, Madras-1 (Tamil Nadu)—(Chrompet, Madras-T-Nadu)—Steel Forgings—1,200 tonnes—(COB).

M/s Sant Ram & Sons (Jagdeshwar), 808, Industrial Area, Ludhiana-3 (Punjab)—(Ludhiana-Punjab)—Mild Steel Wires (Black)—900 tonnes—(COB).

M/s Niranjan Singh Kartar Singh, Link Road, Indl. Area, Ludhiana (Punjab)—(Ludhiana-Punjab)—Steel Forgings—1,000 tonnes—(COB).

M/s Alloy Steel Forgings Pvt. Ltd., 1001, Akash Deep, 26, Barakhamba Road, New Delhi—(Ghaziabad-Uttar Pradesh)—Steel Forgings—600 tonnes—(COB).

M/s Kumar Steel and General Mills. Lal Bahadur Shastri Marg, Vikhroli, Bombay-83—(Vikhroli-Maharashtra)—Steel Forgings—750 tonnes—(COB).

M/s Monga Brothers Pvt. Ltd., B-16, Focal Point, Dhandari-kalan, Ludhiana, Punjab—(Ludhiana-Punjab)—Steel Forgings —200 tonnes—(COB),

Sh. P. R. Manchanda, M/s Golden Iron & Steel Works, 7/19, Kirti Nagar (Industrial Area) New Delhi. (Delhi)—Steel Forgings —3,050 tonnes: Forged Steel Rolls—450 tonnes—(COB).

M/s Kissan Engg. Works (P) Ltd., 15, G.T. Road, Ghaziabad (U.P.) (Ghaziabad-Uttar Pradesh)—Steel Forgings—1,700 tonnes; Forged Rolls—250 tonnes—(COB).

M/s Kalyan Agro Inds. Corpn. C-14, Focal Points, Dhandarikalan, Ludhiana (Ludhiana-Punjab)—Steel Forgings—100 tonnes—(COB).

M/s Gujarat Iron & Steel Co. Ltd., 1439-40, Loni Road, Shahdara-Delhi-32—(Ahmedabad-Gujarat)—Steel Forgings—250 tonnes—(COB).

M/s Usha Forgings & Stampings Ltd., 5, Parliament Street, New Delhi. (Faridabad-Haryana)—Steel Forgings—600 tonnes —(COB).

M/s Jay Forgings & Stampings Pvt. Ltd., Industrial Area, Yamunanagar (Haryana) (Yamunanagar-Haryana)—Steel Forgings (Close die Forgings—(500 tonnes; Andopen forgings—250 tonnes—(COB).

M/s Gurunanak Auto Engg. & Foundry Works, G.T. Road, Goraya, Distt. Jullundur (Punjab) (Bundala-Punjab)—Steel Forgings—650 tonnes—(COB).

M/s Choudhary Hammer Works (P) Ltd., Ramte Ram Road, Opp. Power House, Ghaziabad-U.P. (Ghaziabad-Uttar Pradesh)—Steel Forgings—2,150 tonnes; Forged Rolls—300 tonnes—(COB).

M/s Jain Kaliwala Engg. Works, H-2/5, Kidwai Nagar, Kanpur-14 (Uttar Pradesh)—Magarwara, Uttar Pradesh) Steel Forgings—700 tonnes—(COB).

M/s Damehra Steels & Forgings Pvt. Ltd., 89, Netaji Subhas Road, Calcutta-1 (Lilluah, Howrah-West Bengal)—Bright Bars and Shaftings—3,000 tonnes—(COB).

M/s Aevee Iron & Steel Works Pvt. Ltd., Eldee Chambers, 3, Broach Street, Bombay-9—(Bombay-Maharashtra)—Bright Bars and Shaftings—1,400 tonnes—(COB),

M/s Pratap Bright Steels Pvt. Ltd., 11, Advent, 12-A, Gen. J. Bhosle Marg, Bombay-21—(Bombay-Maharashtra)—Bright Bars and—3,600 tonnes—(COB).

M/s Bashimal Vinod Kumar 132-134, Pradhan Bldg., S.V.P. Road, Dongri, Bombay-9—(Nasik-Maharashtra)—Bright Bars & Shiftings—1,000 tonnes—(COB).

M/s Bhagwati Steel Pvt. Ltd., 16, Park Street, Calcutta-16 (West Bengal)—(Lilluah, Howrah-West Bengal)—Bright Bars and Shaftings—1,000 tonnes—(COB).

M/s Shree Shankar Industries Shree Krishna Mahal, 10, Walkeshwar Road, Bombay—400006—(Bombay-Maharashtra) —Bright Bars and Shaftings—1,000 tonnes—(COB).

M/s R. N. Gupta & Co., Industrial Area-B, Plot No. 484, 487, Ludhiana (Punjab)—(Ludhiana-Punjab)—Bright Bars & Shaftings—2,600 tonnes—(COB).

M/s Banwarilall Purshotamdass 29, Banstolla Street, Calcutta-27—(Faridabad-Haryana)—Bright Bars & Shaftings——1,600 tonnes—(COB).

M/s Roger Engg. Ltd., 106 & 109, Ansal Bhavan 16, Kasturba Gandhi Marg, New Delhi-110001. (Calcutta-West Bengal)—Bright Bars & Shaftings—1,000 tonnes—(COB).

Sh. Manmohan Lal Goel, M/s Bharat Udyog (Bright Bars Division), 23 Naya Gunj, Ghaziabad-UP.—(Muradnagar-Uttar Pradesh)—Bright Bars and Shaftings—1,000 tonnes—(COB).

M/s Indian Turn-O-Mat Industries, 22-23, R-Indl. Area-B, Ludhiana-141003. (Punjab)—(Ludhiana-Punjab)—Bright Bars and Shaftings—1,000 tonnes—(COB).

M/s Grand Foundary Pvt. Ltd., G.T. Road, Batala (Punjab) —(Thana-Maharashtra)—Bright Bars and Shaftings—1,800 tonnes—(COB).

M/s Snail Spanners (India) and Tools Ltd., 87, Nagdevi Cross Lane, Bombay-3—Bhandup-Maharashtra)—Bright Bars and Shaftings—1,300 tonnes—(COB).

Shri Rampaul Gupta, M/s B. P. Steel Ind. Pvt. Ltd., 39/44, Sion East, Bombay—(Bombay-Maharashtra)—Bright Bars & Shaftings—3,900 tonnes—(COB).

M/s La Precision Spring & Engineering Co. Pvt. Ltd., 1 Suyojna Housing Society, Koregaon Park, Poona-1—(Poona-Maharashtra)—Metallic Precision Spring viz., coil springs Flat springs and Formed Springs—500 tonnes—(NU).

M/s Sethi Nippon Pvt. Ltd., Dil Bihar, 491, 17th Road Khar, Bombay-400052—(Taloja-Maharashtra—Stainless Steel & Corrosion resistant Steel Castings—120 tonnes; Heat Resistant Steel Castings—130 tonnes; Alloy Steel Castings—1,000 tonnes —(NU).

M/s Tensile Steel Ltd., Shah House, Dr. Annie Besant Road, Bombay-18—(Baroda—Gujarat)—High Carbon, High Tensile Steel Wires—17,500 tonnes—(SE).

M/s Arkonam Castings and Forgings Ltd., 150-A, Mount Road, Madras—(Arkonam North Arcot, Tamil Nadu)—Steel Castings—1,000 tonnes—(NU).

Metallurgical Industries (Non-Ferrous)

M/s Agrawal Metal Works Pvt. Ltd., Agrawal Road, Rewari —(Rewari, Distt. Mohindergarh, Haryana)—Copper/Zinc plates and sheets for photo-engraving plates—300 tonnes—(SE)

M/s The Metal Rolling Works Pvt. Ltd., 104, Sion-Matunga Estate Sion, Bombay—(Bombay-Maharashtra)—Aluminium sheets/strips/circles, blanks, slugs/slug stocks—1970 tonnes; Brass and copper sheets/circles—30 tonnes—(NU).

Electrical Equipment

M/s Delton Cable Industries Private Ltd. 24, Darya Gunj, Delhi-6—(Faridabad-Haryana & Najafgarh-Delhi)—Voltage Stabilizers (0.5 KVA)—1,000 Nos; Voltage Stabilizers (3.0 KVA)—150 Nos.—(COB).

M/s J.J.H. Industries Pvt. Ltd., R-54A, Greater Kailash-1, New Delhi-48—(Calcutta-West Bengal & Ghaziabad-Uttar Pradesh) At Calcutta Unit: AAC/ACSR Conductors upto 19 strands—1,600 tonnes: At Ghaziabad Unit: AAC/ACSR Conductors upto 19 strands—350 tonnes—(COB).

M/s Sayaji Iron & Engg. Co. (P) Ltd., Chhani Road, Baroda-1—(Baroda-Gujarat)—Diesel Engines of 5DHP (vertical Water Cooled)—130 Nos.—(COB).

M/s Menon & Menon (P) Ltd., Vikramnagar Kolhapur-416005—(Vikramnagar-Maharashtra)—Diesel Engines upto 50 H.P.—3,000 Nos.—(COB).

M/s Andhra Mechanical & Electrical Industries Ltd., 173, 2nd Floor, Fateh Maidan, North Road, Hyderabad-4—(Hyderabad-Andhra Pradesh)—Manually operated outdoor drop-out Lift off fuses: 11 KV—550 Nos; 22 KV—150 Nos; 33 KV—750 Nos. Manually operated indoor air-break insulators: 11 KV—2,000 Nos; 22 KV—55 Nos; 33 KV—580 Nos; 65 KV—45 Nos. —(NU).

M/s N.G.E.F. Ltd., Post Bag No. 5384, Bangalore-1—(Bangalore-Karnataka)—Power & Distribution Transformers—1,800 MVA; Rectifier, Furnace, Dry type & Clophen transformers upto the range of 40 MVA/132 kv—1,800,000 (KVA)—(SE).

M/s Crompton Greaves Ltd., Kanjur, Bhandup, Bombay-78-N.D.—(Bhandup-Maharashtra)—Moulded Case Circuit Breakers upto 660 Volts and 2,000 Amps—5,000 Nos—(NA).

Sh. Dinesh C. Gupta, L-13, Datta Guru Society, Deonarpada Road, Bombay—(Karnataka)—Silicon Slices (Expitaxical and non-expitaxial type) 0.1 million nos; Integrated circuits and Transistors (circuits or devices)—3.0 million nos—(NU).

M/s N.G.E.F. Ltd., Post Box No. 5384 Bangalore-1—(Bangalore-Karnataka)—Silicon Power Diodes "New articles"—20,000 Nos; Silicon Power Diodes D-450 within the licensed capacity—(NA/SE).

Transportation

Sh. Jagdish Prasad, Tej Bahadur Sapru Marg, Lucknow—(Lucknow-Uttar Pradesh)—Scooters—24,000 Nos.—(NU.)

Industrial Machinery

M/s Buckau Wolf New India Engineering Works Ltd., Pimpri, Poona-18—(Poona-Maharashtra)—Sugar Mill Machinery—4 Plants—(SE).

M/s Lakshmi Automatic Looms Works Ltd., S.R.K.V. Post, Coimbatore-20—(Coimbatore-Tamil Nadu)—Ruti High Speed automatic weaving machine type-C—1,800 Nos.—(NU).

M/s Eswaran & Sons Engineers Pvt. Ltd., 5-7, Second Line Beach, Post Box No. 1912, Madras—(Tiruvottyur-Tamil Nadu)—Pressure Vessels;Heat Exchangers; Petroleum and Chemical storage tanks—1,400 tonnes—(NA).

Machine Tools

M/s Bijon Nag, 5/I-A, Keyatalla Road, Calcutta-29—(Calcutta-West Bengal)—Press Tools and Dies including Fine Blanking Tools—Rs. 60 lakhs; Fine Blanked components Primerily for Electronics and electronic industries, and automobile, aeronautical defence production and electrical industries—Rs. 140 lakhs—(NU).

Agricultural Machinery

M/s Victory Iron Works Pvt. Ltd., P-26, Banaras Road, Salkia, Howrah (West Bengal)—(Salkia-Howrah-West Bengal) Agricultural Implements—500 tonnes—(COB).

M/s Dharam Engineering Co., G.T. Road, Batala (Punjab) Batala—Punjab—Agricultural Implements—1800 tonnes—(COB).

M/s Banwarilal Purushotamdass, 29, Banstolla Street, Calcutta-7—(Howrah-West Bengal)—Agricultural Implements—1700 tonnes—(COB).

Sh. G. R. Kumar, M/s Kumar Bros,, Sheet & Metal Works, 1-C/10, New Rohtak Road, New Delhi—(Bahadurgarh-Delhi)—Agricultural Implements—400 tonnes—(COB).

M/s Bansidhar Chiranjilal, 1831, Bissomal Building, Bhagirath Palace, Chandni Chowk, Delhi-6—(Delhi)—Agricultural Implements—1200 tonnes—(COB).

M/s Sankar Iron Engg. Works Pvt. Ltd., 52/1, Dr. Aboni Dutta Rd,. Howrah-1—(Howrah-West Bengal)—Agricultural Implements—650 tonnes—(COB).

Shree Sankar Industries 29A Sir Hari Ram Goenka Street, Calcutta—(Lilooah, Howrah-West Bengal)—Agricultural Implements—1,350 tonnes—(COB).

M/s Asiatic Wires Ltd., 23/24, Radha Bazar St. Calcutta—Madhyamgram-West Bengal)—Agricultural Implements—150 tonnes—(COB).

M/s Parasramka Commercial Co. Pvt. Ltd., 135, Canning Street, Calcutta-1—Salkia, Howrah-West Bengal)—Agricultural Implements—2,800 tonnes—(COB).

M/s Anand Metal & Steel Works, 23, Baraborne Road, Calcutta—(Calcutta-West Bengal)—Agricultural Implements—1650 tonnes—(COB).

M/s Calcutta Iron & Engg. Company Pvt. Ltd., 48 Biplabi Rash Behari Basu Road, Calcutta-1—(Howrah-West Bengal)—Agricultural Implements—2,750 tonnes—(COB).

M/s Kishore Vadilal Pvt. Ltd., Jamalpur Darwaja Near Munda-Gate, Ahmedabad—(Ahmedabad-Gujarat)—Diamond Core/Water Well Drilling Accessories—60,000 Nos.—(NU).

M/s Escorts Ltd., 18/4, Mathura Road, Faridabad-Haryana) (Faridabad—Haryana)—Tractor Tuggers, Tractor Mounted Elevators & Rubber Wheel Shunters—200 Nos.—(NA).

Chemicals (Other than Fertilizers)

M/s South India Viscose Ltd., Post Box No. 1396, Race Course, Coimbatore-18—(Coimbatore-Tamil Nadu)—Carbon-di-Sulphide—7,740 tonnes; Sulphuric Acid 29,100 tonnes (for captive consumption only)—(SE).

M/s Dhrangadhra Chemical Works Ltd., Nimal, 3rd Floor Nariman Point, Bombay—(Dhrangadhra-Gujarat)—Ammonium Bicarbonate—1300 tonnes—(COB).

M/s T. K. Chemicals Ltd., 429, Arun Chambers, Tardeo, Bombay-34—(Trivandrum-Kerala)—Electollytic Manganese Dioxide—1000 tonnes; Manganese Sulphate Monohydrate—1000 tonnes—(NU).

M/s Greaves Foseco Ltd., Jolly Bhavan No. 2, New Marine Lines, Bombay-20—(Bombay-Maharashtra)—Foundry Fluxes—900 tonnes—(COB).

M/s National Air Products Ltd., 13/Z, Mathura Road, Faridabad-III (Haryana)—Faridabad-Haryana)—Oxygen Gases 0.45 million cubic metres; New Articles Nitrogen Gas (bye-product)—7,50,000 cubic metres—(NA/SE).

M/s Bharat 2M Processing Industries Ltd., Beliatore P.O. Baliatore, Distt. Bankura (West Bengal)—(Bankura-West Bengal)—Item of Mfr; Sulphuric Acid—15,000 tonnes: Ferric Alum Alluminium Sulphate—15,040 tonnes; Magnesium Sulphite—2,500 tonnes; Alum pure—500 tonnes; Zinc Sulphite—2,500 tonnes—(NU).

Dr. Virendra Patel, Ph. D. 770, Gotri Road, Baroda-7—

(Baroda-Gujarat)—Chemical & Immunochemical test systems —110 million unit; Automatic Equipment for using above test systems—1,000 Nos.—(NU).

Drugs and Pharmaceuticals

M/s Hoechst Pharmaceuticals Ltd., Ramon House, Backbay Reclamation, Bombay-20—(Bombay-Maharashtra)—Isopropyl Antipyrine—30 tonnes - (NA).

M/s Merck Sharp & Dohme of India Ltd., Dugal House, Backbay Reclamation, Bombay-1 (Bhandup-Maharashtra)—Cyanocobalamin and Hydroxocobalamin—144 Kgs.—(SE).

Textiles

M/s U.P. Export Corpn. Ltd., Udyog Bhavan, G.T. Road, Kanpur—(Varanasi-Uttar Pradesh)—Woollen Carpet Yarn)—1,000 woollen spindles—(NU).

M/s India Jute Co. Ltd., 16, Strand Road, Calcutta—(Serampore-West Bengal)—Broad looms for manufacture of Carpet backing cloth—124 Nos.—(COB).

M/s Angora Spinners (P) Ltd., Ludhiana, Punjab—(Ludhiana-Punjab)—Jaquard circular knitting machine to be uesd on Angora Hair—4 machines. Flat Bed knitting Machines—4 machines—(NU).

M/s Sundaram Spng. Mills Komarapalayam, (Via-Erode), Tamil Nadu—(Komarapalayam-Tamil Nadu)—Cotton Cloth—250 automatic looms of indigenous make.—(SE).

Paper & Pulp

Sh. Raj Kumar Bhartia, 23/24. Radha Bazar Street, Calcutta-1.—(Kalyani, Distt. Nadi-West Bengal)—Kraft Paper—10,000 tonnes—(NU).

Sugar

Sh. Sreerama Sahakara Sakkar Karkhana, Chunchankattoo, K.R. Nagar, Taluk, Distt. Mysore—(Karnataka)—Sugar—1250 tonnes.—(NU).

M/s Shri Laxmi Co-op Sugar Factory Ltd., Taluka Daskroi, Distt. Ahmedabad.—(Ahmedabad-Gujarat)—Sugar—1250 tonnes cane crushing capacity per day.—(NU).

M/s Yeleru Co-op Sugar Ltd., Burugupudi, Proddarpuram, Taluk, Distt. East Godavari, Andhra Pradesh.—(East Godavari-Andhra Pradesh)—Sugar—1250 tonnes daily cane crushing capacity.—(NU).

Fermentation Industries

M/s Mohan Rocky Spring Water Breweries Ltd., 5/5, Grants Building, Arthur Bunder Road, Colaba-Bombay-5—(Colaba-Maharashtra)—Beer—50,000 Hecta Litres.—(COB).

M/s Vindale Breweries, A Unit of Vinedale Distilleries Pvt. Ltd., Chateau-De-Kausor, Premavathipat Village, P.O. Gaganpanad, Hyderabad, (Andhra Pradesh)—(Hyderabad-Andhra Pradesh)—Beer—20,000 Hecta Litres.—(COB).

Food Processing Industries

M/s Kasturi Papers, Foods & Chemicals Ltd., 19, Platform Road, Bangalore-19—(Karnataka)—Bakers Yeast—1000 tonnes Fodder Yeast—NU.

Vegetable Oils and Vanaspati

M/s The Vijaya Durga Cotton Trading (P) Ltd., Ethukurn Road, Guntur, (A.P.)—(Guntur-Andhra Pradesh)—Cotten seed oil—15,000 tonnes in terms of seeds—(NU).

Rubber Goods

M/s Dunlop India Ltd., 66-A, Mirza Ghalib Street, Calcutta-16—(Sahaganj-West Bengal)—Long Length Braided Rubber Hoses—20,00,000 metres—(SE).

Leather Goods and Pickers

M/s Arvind Distillery Ltd., T.N.K. House, 2nd Floor, 11-A/3, Mount Road, Madras.—(Ranipet, North Arcot Distt. Tamil Nadu)—Finished leather from Hides—60,000 Nos. Finished Leather from skins—3,00,000 Nos.—(NU).

Cement and Gypsum Products

M/s Modi Spg. & Wvg. Mills Co. Ltd., Modinagar (U.P.)—(Jagdalpur, Distt. Bastar-Madhya Pradesh)—Portland Cement—4,00,000 tonnes.—(NU).

M/s Panyam Cements & Mineral Industries Ltd., Cement Nagar, P.O. Bugganipalli R.S. Distt. Kurnool (A.P.)—(Bellary Distt. Karnataka)—Portland Cement—1,00,000 tonnes—(NU).

Metallurgical Industries (Ferrous)

Sh. Avtar Krishna 'Cassias' Flat No. 7' 21-22, Turner Road, Bandra-Bombay-50—(Bangalore-Karnataka)—Pipe Fitting—1600 tonnes.—(NU)

Sh. Harsh Kumar Chopra B-258, Greater Kailash New Delhi—(Bulandshahr-Uttar Pradesh)—Forged Steel Pipe Fittings (Flanges, dises, rings, elboes, tees, bands),—1,600 tonnes—(NU).

M/s Lakshmi Precision Screw Ltd., Hissar Road, Rohtak.—(Rohtak-Haryana)—Precision Mechine Screws—1,000 tonnes—(SE).

M/s Sivananda Steels Ltd., 240, Dewan Bahadur Road, R.S. Puram, Coimbatore-2 (Tamil Nadu)—(Tiruchirapalli or Puddukottai-Tamil Nadu)—High Pressure Radiography—2,400 tonnes (Steel castings) Alloy Steel Castings—1,000 tonnes. S.G. Iron Castings—600 tonnes,—(NU).

The Managing Director, Industrial Development Corporation of Orissa Ltd., Bhubaneswar-Orissa.—(Hirakud and Dhankanal:Orissa)—Electrode quality steels, Forging quality carbon steels, Cold heading quality carbon steels, Hardening & tempering quality carbon steels, carbon, carbon-Manganese and Silico-Manganese qualities of spring steels, Carbon tool steels, case hardening quality spring steels, Free cutting quality carbon sulphur steels-Hirakud—18,000 tonnes Dhankanal—18,000 tonnes—(NU).

The Project Administrator Govt. of Kerala Sectt. Trivandrum.—(Trichur-Kerala)—Closed Die and upset steel forgings—4,250 tonnes. Coil Springs—60,000 Nos.—(NU).

Sh. B.K. Gupta, 38, Ratendene Road, New Delhi-3—(Rajasthan)—High Alloy Steel Castings—800 tonnes.—(NU)

M/s Punjab Concast Steel Ltd., G.T. Road, Sherpur, Ludhiana (Punjab)—(Ludhiana-Punjab)—Rolled Products (Light & Medium Sections)—30,000 tonnes.—(NU)

M/s Epsilon Electronics Private Ltd., D-4, Amalfi, 15, Nepean Rd. Malabar Hills Bombay.—(Goa)—Malleable Iron Pipe Fittings—3,000 tonnes.—(NU)

Sh. R.D. Reddy, M/s Vidyut Steel Ltd., 1-10-176/1 Begumpet, Hyderabad-16—(Medok,-Andhra Pradesh)—Manganese teel Castings—1500 tonnes. Ni-Hard Castings—500 tonnes Alloy Steel Castings (including high alloy steel castings)—1000 tonnes.—(NU)

Metallurgical Industries (Non-Ferrous)

M/sDeepak Insulated Cable Corpn. Ltd., 8th Mile, Bangalore-Tumkur Road, Dasarahalli-562139 (B'lore Suburb) Bangalore-Distt. Karnataka—(Bangalore-Karnataka)—Wire Enamels—329t onnes,—(SE)

Electrical Equipment

M/s Kerala State Electronics Development Corporation Ltd., 1133 & 1134, Sasivihar, Perurkada, Trivandrum-5—(Kerala)—Variable Speed Drives—2,000 Nos.—(NU)

M/s Debikay Electronics Prop. Dhruva Woolen Mills Pvt. Ltd., P.B. No. 52, Balkum Village, Thana-Maharashtra—(West Bengal)—Static Convertors, Invertors & Control System for industrial/professional applications.—500 Nos. D.C. Motors upto 200 Kw—250 Nos. On-load Tap changers for Transformers-200 Nos.—(NU)

M/s Southern Switchgear Ltd., 132, Mount Road, Madras-600006—(Madras-Temil Nadu—Oil Circuit Breakers upto—750 Nos. (33 KV).—(NA)

The Managing Director, N.C.E.F. Ltd., P.B. No. 3876 Bangalore-38—(Bangalore-Karnataka)—11 KV Circuit Breakers of 750 MVA Ratings—150 Nos.—(NA)

M/s Bush India Ltd., Sukh Sagar, N.S. Patkar Marg, Bombay,—(Thana-Maharashra)—Quart Controlled Electronic Digital Watches & Clocks—40,000 Nos.—(NA)

Transportation

M/s Turner Hoare & Co. Ltd., Signal Hill Avenue, Tank Road, Bombay-33—(Maharashtra)—Propeller Shafts—2 lakh nos. Universal Joint Kits—9 lakh nos. Axle shafts—50,000 nos.—(NU)

M/s W.G. Forge & Allied Industries Ltd., Post Box No. 41, Majiwade, Thana. (Mah.)—(Ratangiri-Maharashtra)—Crank shafts at the new unit to be set up in Ratangiri Distt (Mah.)—35,800 Nos. Heavy crankshafts at the existing unit at Thana (Mah.)—200 Nos.—(NU)

Sh. A H. Mitha, Lion's Den, 8-2-415, Road, No. 4, Banjara Hill, Hyderabad.—Bangalore-Karnataka—Automatic Commutators—5,00,000 Nos. Commutator Components—100 tonnes.—(NU)

M/s Southern Industrial Corporation Ltd., South India House, 99 Armenian Street, Madras-1—(Ranipet-Tamil Nadu)—Oil Seals—25 lakh nos.—(NU)

Industrial Machinery

M/s Rohit Pulp & Paper Mills Ltd. Rohit Chambers, Ghoga Street, Fort, Bombay-1—(Bulsar-Gujarat)—Paper Machinery—2 plants of sixes 30 tonnes per day capacity only.—(NA)

M/s T. Maneklal Mfg. Co. Ltd., Vaswani Mansions, Dinshaw Vachha Road, Bombay-20—(Ahmedabad-Gujarat)—High Efficiency Sectional Warping Machine—6 nos.—(NA)

Sh. P.K. Abraham, E-5, Mahalaxmi, Harrington Avenue, Harrington Road, Madras-1—(Dharamapuri-Tamil Nadu)—Textile Spindles—3 lakh Nos. Bolster Inserts—3 lakh nos.—(NU)

M/s Lakshmi Machine Works Ltd., Perianaickenpalayam, S.R.K. Vidyalaya P.O. Coimbatore-20—(Coimbatore-Tamil Nadu)—Open End Spinning Machines—180 nos.—(NA)

M/s Black Clawson India Engineers Pvt. Ltd., 38/3, Mount Road, Madras-6—(Ranipet, North Arcot Distt. Tamil Nadu)—Pulp & Paper Plant machinery, upto sizes suitable for production of paper between 30 tonnes a day and 200 tonnes a day—1 No.—(NU)

Sh. Lala Shri Dhar, 20, Ballyganj Park Road, Calcutta-19—(Ranchi-Bihar)=Drafting Equipment suitable for 1360 Ring Frames—3,00,000 sets.—(NU)

M/s SLM-Maneklal Inds. Ltd., Vatva, Taluka Dascroi Ahmedabad. Gujarat—(Ahmedabad-Gujarat)—Hydraulic presses for metal forming, wood and plastics—20 nos. Hydraulic presses for Rubber and other elasomers—16 nos.—(NA)

M/s Madras Industrial Linnings, 42/19, Harrington Road, Madras-31—(Ambatur-Tamil Nadu)—Scrubber Cyclones, Air Washers, Gas Absorption and Desorption Towers, Humidifiers & Dehumidifiers, Odor Control Equipment, Accessories for above equipment—Rs. 50 lakhs.—(NA)

Sh. V.D. Sharma T-13, Green Park, New Delhi-16—(Alwar-Rajasthan)—Grinding Wheels—3,000 tonnes.—(NU)

M/s Amber Bearing Mfg. Co. Pvt. Ltd., Plot No. G-3 MIDC Indl Area Hingna Road, Nagpur-16—(Nagpur-Maharashtra)—Ball Bearing 3.59 lakhs nos. Cylinder Roller Bearings; 1.44 lakhs nos Tapered Roller Bearings 0.33 lakh nos. —(NU)

Machine Tools

M/s Machine Tool Corpn. of India Ltd., P.B. No. 69, Boawar Road, Ajmer—(Ajmer-Rajasthan)—Horizental Surfac Grinding Machines—40 Nos.—(NA)

M/s Ex-Cell-o India Ltd., 78-B, Dr. Annie Besant Rd, Worli Bombay-18.—(Thana-Maharashtra)—Centreless Grinders-O'mm to 120mm work dia; Internal Grinders for ball bearing industry etc. etc. 17 nos.—(NA)

Commercial and Household Equipment

M/s Kerala State Electronics Dev. Corpn. Ltd., 1133, 1134, Sasivihar, Perurkada, Trivandrum—(Trivandrum-Kerala)—Electronic Desk Calculators—5,000 nos.—(NU)

M/s West Bengal Electronics Industry Dev. Corpn. Ltd., 23-A, Netaji Subhas Road, Calcutta-1—(West Bengal)—Electronic Desk Calculators—5,000 nos.—(NU)

Mathematical, Surveying and Drawing Instruments

Shri M.M. Chopra, B-258, Greater Kailash-I New Delhi—(Bangalore-Karnataka) Hard Metal and Hard Metal products—50 tonnes.—(NU)

Chemicals

Sh. R.K. Raman, 42/19, Harrington Road, Chetput-Madras.—(Distt. Chingleput-Tamil Nadu)—Phosphoric Acid 15,000 tonnes—(NU)

M/s Cibatul Ltd., P.O. Atul, Distt. Valsad, (W. Rly.) Gujarat—(Valsad-Gujarat)—Epoxy Resins —1260 tonnes.—(SE)

M/s Caustic (India) Ltd., 16A, Hrabourne Road, Calcutta-1—(Dholpur Distt. Bharatpur-Rajasthan)—Trichloroethylene—4,500 tonnes Porchlaraetholene—1,500 tonnes—(NA)

Sh. Din Dayal Khattar & Sh. Madan Mohan Khattar 53, Shamla Road. Bhopal.—(Bhopal-Madhya Pradesh)—Poly Vinyl Chloride—6,800 tonnes.—(NU)

M/s A.P. Indl. Dev. Corpn. Ltd., B-1-114, Fateh Maidan Rd, Hyderabad—(Andhra Pradesh)—Poly Vinyl Chloride—30,000 tonnes.—(NU)

M/s Shankar Sugar Mills Ltd. 9, Brabourne Road, Calcutta-1—(Deoria-Uttar Pradesh)—Furfural—6,000 tonnes.—(NU)

Sh, R.P. Shah, Steel & Pipe Traders, 519, Loha Bhavan, P. O. Mello Road, Bombay-9—Medak. Andhr Pradesh)—Galatine—2,000 tonnes.—(NU)

M/s. Dipak Vegetable Oil Industries Pvt. Ltd., Jawahar Road, Manavadar (Gujarat)—(Junagadh-Gujarat)Oxygen Gas—0.2 million cubic metres.—(NA)

M/s The Indian Cable Company Ltd., 9, Hare Street, Calcutta-1—(Tatanagar Distt. Singhbhum-Bihar) Bitumen base cable compound for joint boxes—600 tones—NA

M/s Deepark Nitrite Ltd., 12-A, Gen. J. Bhonsale Marg, (Foreshore Road), Bombay-1—(Gujarat)—Methanol—20,000 tonnes.—(NU)

M/s Nuchem Plastics Ltd., 20/6, Mile Stone, Mathura Rd, Faridabod-Haryana—(Madhya Pradesh)—Methanol—20,000 tonnes.—(NU)

M/s Gujarat Indl. Inv. Corpn. Ltd., 4th Floor, Natraj Chambers. Ashram Road. Ahmedabad—(Gujarat)—Methyl Alcohol—20 000 tonnes—(NU)

M/s Fertilizer & Chemicals Travancore Ltd., Udyog Mandal, Alwaye, Kerala State—(North Parur-Kerala)—Methanol—30,000 tonnes—(N.A.)

M/s Saurashtra Salt Works Pvt. Ltd., 6-B, Vulcan Insurance Bldg, Veer Nariman Road, Churchgate, Bombay-20—(Amreli-Gujarat)—Bromine from Bittenns—200 tonnes.—(NU)

M/s Modi Spng. & Wvg, Mills Co. Ltd., Modinagar-U.P.—(Bhatinda Distt. Punjab)—Caustic Soda—33,000 tonnes; Liquid

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AIR-INDIA

HT-AI-8183 (A)

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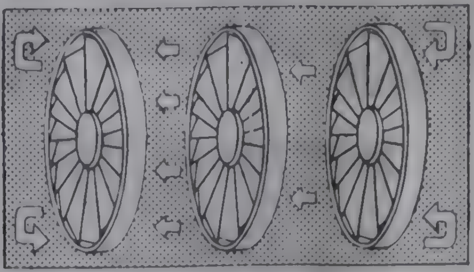

It makes all the others obsolete.

The typical fork lift operation is a start-stop-lift-lower process. Unfortunately, most fork lift trucks use conventional automobile transmissions. Not really designed for such operations, these have to be modified for use in fork lift trucks.

Godrej, on the other hand, has constant-mesh gears and a fully automatic hydraulic transmission called Hydratork, at the core of which is a unique torque convertor that multiplies engine output 2.2 times. It's ideal for fork lift operations.

PERFORMANCE IS OPTIMISED:

You get faster acceleration because of Hydratork. A 4.4:1 pre-reduction gear on the drive axle gives you the greatest tractive power right at the wheels—where it matters most. It also boosts braking power, so you can stop faster and with less effort.

You can even inch these trucks forward—slowly, and with perfect control—while you lift heavy loads at high speeds.

CONSTRUCTION IS TOUGHER:

Though the Godrej C 500 trucks are rated for only 2.25 and 3 tonnes, their transmission drive line components are rated for 6 tonnes.

And this gives them a tremendous amount of durability and strength. Enough, in fact, to handle shock and impact overloads under which other trucks break down altogether.

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Even the loads you carry are fully protected, because the heavier the load, the slower its rate of descent. And positive-action control levers, mounted right on the cowl, help your operator go through his day with comfort instead of strain. So you get greater productivity per man hour.

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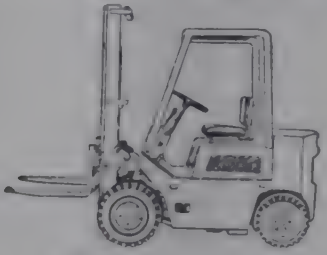

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TRUCKS

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Chlorine—16,400 tonnss; Hydrochloric Acid—10,000 tonnes.—NU)

Sh. V. Ravindranath, 6, Linghi Chetty Street, Madras.—(Dharampuri Distt. or Ranipet, North Arcot Distt. Tamil Nadu)—Malathion Technical—600 tonnes—(NU)

M/s Industrial Minerals & Chemicals Company Private Ltd., 25, Narayan Dharu Street, Nagdevi, 125, Bombay-3—(Thana-Maharashtra)—Phenyl Acetic Acid—480 tonnes.—(NA)

The Managing Director, The U.P. State Industrial Development Corpn. Ltd., 117,420 G.T. Road, Kanpur (U.P.)—Uttar Pradesh)—Malathion Technical—500 tonnes.—(NU)

M/s Bengal Chemical and Pharmaceuticals Works Ltd., 6 Ganesh Chander Avenue, Calcutta—(Panihatti, 24 Parganas West Bengal)—Sulphuric Acid—57,750 tonnes.—(SE)

M/s Cynamid India Ltd., Nyloc House, 254-D2 Dr. Annie Besant Road, P.O. Box No. 9100 Bombay-25, DD—(Bulsar-Gujarat)—Cycocel Technical—100 tonnes.—(NA)

M/s J.B. Rupani, C/o. Petrofina Chemical Inds. 184, Shaikh Memon Street, Zaveri Bazar, 2nd floor, Bombay-2—(Tarapur-Maharashtra)—Penteerythritol—1200 tonnes; Sodium Formate —500 tonnes.—(NU)

M/s Bharat Pulverising Mills Pvt. Ltd., Div. Basic Minerals & Chemical Hexamar House. 28, Sayani Rd, Bombay-25—Thana-Maharashtra)—Malathion (Technical)—900 tonnes.—(NA)

M/s Ranbir Chemical Industries Pvt. Ltd., Kharar, Distt. Ropar. (Punjab)—(Ropar-Punjab)—Oxygen Gas (as a bye-product)—0.283 million cubic metres—(NU)

M/s The Indian Rayon Corporation Ltd., Junagadh-Veraval Road, Veraval-2—(Baroda-Gujarat)—Trichloroethylene—4500 tonnes; Perchloroethylene—1500 tonnes.—(NA)

Sh. P.G.K. Pillai No. 3, Anderson Road, Madras-6—(Trivandrum/Palghat-Kerala)—Potassium Chlorate—1000 tonnes; Sodium Chlorate—1000 tonnes.—(NU)

Dye-Stuffs

M/s Willman (India) Ltd., 'Neville House' Currimbhoy Road, Ballard Estate, Bombay-38—(Kolaba-Maharashtra)—H. Acid 300 MT; Peri & Laurent's 50 MT.; Acid. 1.6 & 1.7; Cleve Acid 50 MT etc. etc.—(NU)

M/s Sudarshan Chemical Industries Pvt. Ltd., 162, Woolesley Road, Sangam Bridge- Poona-1—(Colaba-Maharashtra)—Meta Nitro Aniline 40 tonnes; Drtho Tolidine 60 tonnes; Diethyle Sniline 60 tonnes; Dimethyle Aniline 300 tonnes.—(NA)

Drugs and Pharmaceuticals:

M/s Mehta Pharmaceuticals (P) Ltd., Chheharta (Amritsar, Punjab—(Amritsar-Punjab)—Paracetamal from Nitrobenz-ene—00 tonnes.—(NA)

M/s East India Pharmaceuticals Works Ltd., 6, Little Russell St.—(Calcutta-West Bengal)—Sulphacetamide—24 tonnes; Liquid: Cortola & Cortola 'M'—5000 ltrs (after expansion); bulk drug—Sodium Sulphacetam; Locula—79000 ltrs (after expansion); bulk drug Sodium Sulphacetam; Ointment: —Cortala—500 Kgs. (after expansion) bulk drug Sodium Sulphacetam; Locula 1000 Kgs (after expansion); bulk durg —Sodium Sulphacetam; Tablets: Rheumin—3 lakh nos (after expansion) ; bulk drug—Cichophen B. P.; Thalocid 2 lakh nos. after expansion, bulk drug—pht-hxylyl Sulphacetamide.

Injections: Niamine—500 litrs (after expansion): bulk drug—Nikethamide; Bhevminol—330 litrs (after expansion); bulk drug—Cinchopee.—(SE)

Sh. Narendra K. Khendelwal, 1/2, Ram Kishore Lane, Civil Lines, Delhi-6—(Faridabad-Haryana)—Quinoline—200 tonnes; 2/8-Hydroxy Quinoline (Oxine)—50 tonnes.—(NU)

Sh. L. R. Manohar, Post Box No. 1582 1, Thathamuthiappan St. Madras-1—(Medak-Andhra Pradesh)—Starch—17500 tonnes; Glucose—4500 tonnes; Dextrine—3000 tonnes.—(NU)

Textiles

Shri Vinod Singhal, 16/1. Shakti Nagar, Delhi-110007—(Delhi)—Ready-made Garments—3 lakh pieces.—(NU)

M/s Sh. Dinesh Mills Ltd., Padra Road, P.O. Box. No. 65 Baroda-5—(Baroda-Gujarat)—Ready-made Trousers—1,50,000 pieces; Sack Coat/Jackets—75,000 pieces.—(NU)

M/s Managing Director Assam Indl. Dev. Corpn. Ltd., Kannachol Road, Silpukhuri, Gauhati-3—(Barpeta-Assam)—150 sacking looms with laminating facilities; 50 Hessian looms with laminating facilities; —12,660 tonnes Jute goods Hessain and sacking qualities.—(NU)

M/s Modella Woolens Ltd., 4-C, Vulcan Insurance Bldg, Veer Nariman Road, Bombay-20—(Thana-Maharashtra)—Men's trousers made out of wool, terry-wool. terry-viscose and other fabrics—3 lakh pieces,—(NA)

M/s Woolcombers of India Ltd., 31, Netaji Subhash Road, Calcutta-1—(Goa)—Ready-made Trousers (made of woll/woll blended/synthetic Fibre)—3,00,000 nos.—(NU)

Paper & Pulp

Sh. H. S. Grewal, 102, Sector-9B Chandigarh—(Solan-Himachal Pradesh)—Packing and Wrapping Paper—5,000 tonnes.—(NU)

Sh. Om Parkash Nevatia, 4540, Dhabi Bazar, Bhatinda—(Barwaha-Madhya Pradesh)—Corrugating, M. G. Kraft and wrapping paper—3,300 tonnes.—(NU)

Sh. S. S. Bhatia, 2, Palam Marg, Vasant Vihar, New Delhi-57—(Nadia-West Bengal)—Kraft Paper—10,000 tonnes.—(NU)

Sh. H. P. Goenka, 15, Brabourne Road, Calcutta-1—(Bilaspur-Madhya Pradesh)—Corrugating Medium Kraft Liners & Posters Paper and Boards—6,000 tonnes.—(NU)

Sh. Vishwanath Purshottamdas Kedia, C/o. Nitin Castings Pvt. Ltd. "Shyam Kripa" L. Devidayal Road, Mulund West, Bombay-30—(Silwassa-Dadra & Nagar Haveli)—Paper and Paper Board (writing and printing and kraft paper)—15,000 tonnes.—(NU)

Sh. H. S. Maheswari, Prospect House, 321, Free Road, 2nd Floor, Bombay-1—(Distt. Dhar/Mandsaur/Shajapur-Madhya Pradesh)—Kraft Paper, Corrugating Medium and other wrapping and Packing paper—7,500 tonnes—.(NU)

Sh. Laxminivas Jhunjhunwala, 2/1, Bright Street, Calcutta-19 —(Nadia-West} Bengal)—Pulp—5000 tonnes Paper (wrapping, packing Kraft and corrugated papers)—5000 tonnes.—(NU)

Sh. Raj I. Garg, 10, Nizamuddin East, New Delhi-13—(Bulandshar-Uttar Pradesh)—Packing, wrapping and corrugatted medium papers—3,300 tonnes.—(NU)

Sh. Vijay Krishan 'Meena' Swaroop Nagar, Kanpur-2—(Unnao-Uttar Pradesh)—Kraft Paper—6,600 tonnes.—(NU)

Sh. Sunil Kumar Daga, 8/1, Burdwar Road, Calcutta-27—(Darbhanga-Bihar)—Paper—5000 tonnes.—(NU)

Sh. J. K. Saraf, 306, Kallbadevi Road, Bombay-2—(Thana-Maharashtra)—M. G. Paper—4,000 tonnes.—(NU)

Sh. Surinder Singh Kairon, House No. 28, Sector 4, Chandigarh—(Amritsar-Punjab)—Corrugating media and linear paper (for packing and wrapping)—4,000 tonnes.—(NU)

Sh. D. I. Singh Chaudhri A/88, Defence Colony, New Delhi-24—(Solan-Himachal Pradesh)—Pulp—10,000 tonnes Packing & Wrapping Paper—10000 tonnes—(NU)

M/s Gangappa Distributing Co. 9-A, Edward Road, Opp. Queens Road, Bangalore-52—(Seringappattam-Karnataka)—Writing & Printing Paper—10,000 tonnes.—(NU)

Sh. Prabhat Panda, Panda & Co. Cuttak-Bhubaneshwar Road, Bhubaneswar-6—(Orissa)—Corrugating media and liner paper (for packing and wrapping)—4,000 tonnes.

Sh. R. K. Somani, 41/27, Nanghara, Nayaganj-Kanpur—(Uttar Pradesh)—1. Pulp—5000 tonnes; 2. Unbleached Paper—5,000 tonnes.—(NU)

Sh. Baijnath Bhatter, Bhatter Mansion, 23, Vivekananda Road, Calcutta-7—(Kalaghat, Midnapur-West Bengal)—Pulp—6,600 tonnes; Paper (Packaging papers such as kraft wrapping & packing papers & Boards—6,600 tonnes.—(NU)

Food Processing Industries

M/s Brook Bond India Ltd., 9, Shakespeare Sarani, Calcutta-16—(Maharashtra)—Corned Meat (Main product)—10,740 tonnes; Extracts—400 tonnes Soap Stock Medium—1280 tonnes; Bone Meal—2040 tonnes; Tallow=2120 tonnes; Semin finished and finished leather (out of own raw material)—9 million sq. feet.—(NU)

Vegetable Oils and Vanaspathi

Sh. S. N. Dhawan, C/o M/s Machines & Tools Corpn., 67, G. B. Road, Delhi—(Bhatinda-Punjab)—Cotton seed Oil—30,000 tonnes (in terms of cotton seed)—(NU)

M/s Jagdish Chandra Haridas Badiani, C/o M/s Dawn Industries, Opp. Dhree Kent Oil Mills, Badeshwar, Jamnagar-2—(Jamnagar-Gujarat)—Cotton seed oil—15,000 tonnes (in terms of cotton seed).—(NU)

Sh. J. C. Tandon, D-12, Kirti Nagar, New Delhi—(Bhiwani-Hissar-Haryana)—Cotton seed oil—40,000 tonnes in terms of cotton seed.—(NU)

Sh. M. Devaraj (Promotor) No. 47-A, Park Road, Erode-I Coimbatore Distt. (Tamilnadu) M/s Sree Shanmuga Sundaram Traders—(Coimbatore-Tamil Nadu)—Cotton seed oil—18,000 tonnes in terms of cotton seed.—(NU)

M/s Andhra Pradesh State Coop. Marketing Federation Ltd., 5-2-68, Jambagh Hyderabad-1—Karimnagar-Andhra Pradesh)—Groundnut oil and Oil cakes—22,500 tonnes in terms of groundnut seed. (NU)

Sh. Harbans Singh Jalal, Managing Director, M/s Punjab Edibles (P) Ltd., Bhatinda-Punjab—(Bhatinda-Punjab)—Cotton seed oil—30,000 tonnes in terms of cotton seed.—(NU)

Rubber Goods

Sh. Nand Khemka, Speedbird House, 'M' Block Connaught Circus, New Delhi-1—(Alwar-Rajasthan)—Pre-cured tread rubber—6,000 tonnes; Bonding, repair and extrusion gums—1,150 tonnes; Rubber cements—300 kilo litres—(NU)

Sh. V. Jagannathan, 341, Avinashi Road, Pappanaickenpalayam Coimbatore-37—(Tamil Nadu)—Synthetic Rubber Cots—2 lakh metres; Synthetic Rubber Aprons—2 lakh metres.—(NU)

Leather and Leather Goods

M/s National Tannery Co. Ltd., 1, Middleton Street, Calcutta-16—(24 Parganas-West Bengal)—Leather Garments—3,00,000 pieces.—(NA)

Glue and Gelatin

M/s Bihar State Leather Industries Dev. Corpn (P) Ltd., Patna-Bihar—(Muzaffarpur-Bihar)—Gelatin—450 tonnes; Glue—450 tonnes.—(NU)

M/s Kerala State Indl. Dev. Corpn. Ltd., P. B. No. 105, Sasthamangalam, Trivandrum (Kerala)—Ossein—2210 tonnes Dicalcium Phosphate—4250 tonnes.—(NU)

Glass

M/s Premier Scientific Mfg. Co. No. 9, Nilkamal Banglow, Patidar Society, Ellisbridge, Near Panchvaty, Ahmedabad—(Kalol-Gujarat)—Scientific & Laboratory Glassware including Borrosilicate Bottles—12,000 tonnes.—(NU)

Ceramics

M/s Koolaire (P) Ltd., 44, Janpath, New Delhi—(Ghaziabad-Uttar Pradesh)—Sanitary ware (Pottary type)—3,000 tonnes; Sanitary Ware (Enamelled Steel Type; Bath Tubs an Sinks)—3,000 tonnes.—(NU)

Cement and Gypsum Products

M/s Juggilal Kamlapat jute Mills Co, Ltd., Kamla Tower Kanpur—(Kanpur-Uttar Pradesh)—Portland Pozzolana Cemen—1,00,000 tonnes.—(NU)

Change in Names (Owners/Undertaking)

(Information pertains to particular licences only)

From Sir. Shedi Lal Sugar & General Mills Ltd., Muzaffarnagar—to Swarup Vegetable Products Industries Ltd.,

From The Ganga Sugar Corpn, Ltd., Deoria—to M/s Gangeshwar Limited.

From M/s Electro Metallurgical Works Ltd.,—to M/s Th Dandali Ferro Alloys Pvt. Limited., Bombay.

From Punjab State Industrial Dev. Corpn. Ltd., Chandigarh—to M/s Stepan Chemicals Ltd.,

From M/s Swadeshi Detergents Delhi—to M/s Swadesh Detergents Pvt. Ltd., Bombay.

From M/s Somani Steels Ltd.,—to M/s Somani Wires Limited., Kanpur.

From Indian Detenators Ltd.,—to M/s IDL Chemicals Ltd. Hyderabad.

From M/s Binny Engg. Works Ltd.,—to M/s Binny Ltd. Madras.

From M/s The Chikodi Raibag and Athani Taluk Rayat Sahakari Sakhare Karkhana Niyamit Raibag—to Raibag Sahakari Sakhare Karkhane Niyamit, Raibag.

From Gujarat State Federation of Co-op Spng. Mills Ltd. Ahmedabad-9—to Panchmahal Distt. Co-op Spng. Mills Ltd. Panchmahal, Gujarat.

From Gujarat State Federation of Co-op. Spng. Mills Ltd. Ahmedabad-9—to Visnagar Taluka Majoor Sahakari Mandal Co-op Spng. Mills, Vibhag, Mehsana (Guj.)

From Suraj Mal Mohta Calcutta-1—to M/s Mohta Paper Mills Ltd., Madhya Pradesh.

Licences Revoked/Surrendered

(Information pertains to particular licences only)

M/s Steyr India Ltd., New Delhi—(Revoked)—Agricultura Tractors.—(Revoked)

M/s Kovilapatti Lakshmi Rollar Flour Mills Ltd.—Biscuits—(Surrendered)

Letters of Intent Revoked/Rejected etc.

(Information pertains to particular letters of intent only)

M/s Krishna Ragunath Shetye & Sons, Radha Krishna Sadan, Bicholim, Goa—(Goa)—Isuzu Elf Pick up.

M/s Standard Batteries Vakolo, Santa Cruz, Bombay-55—(Maharashtra)—Self-propelled high lift passenger loader etc.

M/s Indocean Engineers Pvt. Ltd., Raj Bhavan Road, Hyderabad-4—Loudspeakers cones.

M/s Decor Steel (P) Ltd., 71, Industrial Area, Chandigarh—(Haryana)—Automobile Wheels.

Sh. Virender Singh, 5/9, Kirti Nagar, Industrial Area. Delhi-15—Automobile Gears

M/s Triveni Engg. Works Ltd., National Insurance Bldg, 1st Floor, New Delhi-1—(Maharashtra)—Pentaerythritol.

Sh Davinder Singh Grewal K-55, Connaught Circus, New Delhi—(Delhi)—Rock Roller Bits.

M/s German Remedies Ltd., Bombay—Neogynon Tablets.

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RECORDS AND STATISTICS

National product and capital formation in 1972-73

ACCORDING to the Central Statistical Organisation White Paper on National Income Statistics, India's national income in 1972-73 at constant (1960-61) prices is estimated at Rs 19,130 crores. This is Rs 169 crores less than the national income in 1971-72. There has thus been a fall of 0.9 per cent in the total income between the two years. The per capita income declined by 3.2 per cent over the same period.

The fall in national income in 1972-73 is mainly on account of the fall in the production of foodgrains. This has resulted in an appreciable fall in the domestic product of the agricultural sector—about 7.8 per cent as compared to the previous year. The increases registered by other sectors were not adequate enough to off set fully the decline in the agricultural sector.

Table I gives the levels of national income and per capita income at current and at 1960-61 prices for the period 1960-61 to 1972-73. The variations in the rates of growth of national income as well as per capita income shown in the table are mainly due to fluctuations in the output from agriculture. Over the period 1960-61 to 1972-73 national income increased by about three per cent per annum on the average and the per capita income by about 1 per cent.

Table II presents the percentage composition of net domestic product at constant prices by broad sectors and throws light on changes in the structure of the economy over the period. The primary sector (agriculture, forestry, fishery and mining) which accounts for as much as 52 per cent of the net domestic product in 1960-61 has come down to around 44 per cent in 1965-66 and has continued to be at the same level since then (except in 1972-73 when there was a sharp fall in agricultural production). The secondary sector (manufacturing, construction, electricity, gas and water supply) has increased its share fr 19 per cent in 1960-61 to 2. per cent in 1965-66 with subsequent change thereaft There has been gradual crease in the share of t trade and transport sec which has increased from per cent in 1960-61 to 1 per cent in 1972-73.

The White Paper National Income also furnis the details of domestic sav capital formation and t economic activities of t public sector for the peri 1960-61 to 1972-73. The le of total domestic saving in t economy at current prices increased from Rs 1,324 cro in 1960-61 to Rs 5,140 cro in 1972-73. During the sa period net domestic capi formation has increased fr Rs 1,805 crores to Rs 5,4 crores. The difference betw saving and capital format is covered by net capital flow from abroad. Table below gives the rates of domestic saving and net mestic capital formation o the period 1960-61 to 1972- In 1972-73 the rates of sav and capital formation h been 11.6 per cent and 12.2 cent respectively as compa

TABLE I

Estimates of National Product, 1960-61 to 1972-73

Year	National product at factor cost				Percentage increase ov the previous year (1960-61 prices)	
	at current prices		at constant (1960-61) prices			
	total (Rs crores)	per capita (Rs)	total (Rs crores)	per capita (Rs)	total	per capita
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1960-61	13267	305.7	13267	305.7	—	—
1961-62	13991	315.1	13732	309.3	3.5	1.2
1962-63	14796	325.9	13994	308.2	1.9	(—) 0.4
1963-64	16975	365.8	14769	318.3	5.5	3.3
1964-65	20000	421.9	15884	335.1	7.5	5.3
1965-66	20636	425.5	15081	310.9	(—) 5.1	(—) 7.2
1966-67	23810	481.0	15257	308.2	1.2	(—) 0.9
1967-68	28166	556.6	16616	328.4	8.9	6.6
1968-69	28859	557.1	17180	331.7	3.4	1.0
1969-70	31968	604.3	18152	343.1	5.7	3.4
1970-71*	34627	640.1	19035	351.8	4.9	2.5
1971-72*	36599	660.6	19299	348.4	1.4	(—) 1.0
1972-73*	39592	698.3	19130	337.4	(—) 0.9	(—) 3.2

*provisional

4 per cent and 11.5 per n the previous year.

ble IV gives the share public sector in net stic product at current for the period 1960-61 72-73. The total share public sector comprises nment administration e, state and local bodies) departmental and non- rtmental enterprises. This hown a consistent in- over the period. Thus, rms about 15.9 per cent total net domestic pro- in 1972-73 against 10.6 ent in 1960-61. Within ublic sector, the net do- product of the non- rtmental enterprises has tered the maximum rise, sing from Rs 165 crores 60-61 to Rs 1,832 crores in 1972-73. This increase is partly due to setting up of new industries or expansion of the existing enterprises in the public sector and partly due to the extension of the domain of the public sector for example, by nationalisation of insurance and banking and conversion of departmental electricity boards and private companies into non-departmental electricity undertakings.

An analysis of the purformance of the public sector shows that its total saving over the period has increased from Rs 309 crores in 1960-61 to Rs 814 crores in 1972-73 and the total gross capital formation from Rs 1,142 crores to Rs 3,604 crores the capital formation in the public sector has throughout been in excess of net saving thus showing income deficit over the whole period.

Besides data on national product, capital formation and saving, the present White Paper includes, for the first time, estimates of private consumption expenditure at current and constant prices and details of classification of general government expenditure (centre and states) and details of activities of non-departmental enterprises. However, it has been possible to present this analysis till 1970-71 only. Private consumption expenditure is estimated at Rs 30,629 crores in 1970-71 accounting for 80 per cent of the total national expenditure. This is somewhat lower than the proportion in 1960-61 which is of the order of 86 per cent. There has been little shift in the pattern of consumption, the food items generally accounting for the major share of the expenditure.

The purpose classification of general government expenditure shows that in 1970-71 economic service account for 30 per cent of the total expenditure, defence (including internal security) for 19 per cent, education and general government 16 per cent each, and health and housing 3 and 4 per cent respectively. In the case of capital expenditure, however, the pattern is somewhat different, economic services accounting for as much as 59 per cent of the total.

TABLE II

Compsoition of Net Domestic Product at Constant Prices by Broad Sectors

(per cent)

Year	primary	secondary	tertiary		
			trade, transport, storage & communications	finance & real estate	community and personal services
(1)	(2)	(3)	(4)	(5)	(6)
1960-61	52.2	19.1	14.0	4.2	10.5
1961-62	50.9	19.8	14.5	4.2	10.6
1962-63	48.7	20.8	15.0	4.3	11.2
1963-64	47.4	21.7	15.2	4.3	11.4
1964-65	47.9	21.6	15.1	4.1	11.3
1965-66	43.8	23.3	16.2	4.4	12.3
1966-67	42.6	23.8	16.4	4.4	12.8
1967-68	45.4	22.7	15.7	4.0	12.2
1968-69	44.4	23.2	16.0	4.1	12.3
1969-70	44.6	23.1	15.9	4.0	12.4
1970-71*	45.8	22.1	15.6	4.0	12.5
1971-72*	44.4	22.2	15.9	4.2	13.3
1972-73*	41.7	23.3	16.6	4.4	14.0

*provisional

Note: Primary covers agriculture and allied activities, forestry, fishery and mining and quarrying, while secondary covers manufacturing (registered & unregistered), construction, electricity, gas and water supply.

TABLE III

Rates of Domestic Saving and Capital Formation

(at current prices)

Year	per cent of net domestic product at market prices	
	domestic saving	domestic capital formation
1960-61	9.3	12 6
1961-62	8.4	10.7
1962-63	9.5	12.3
1963-64	9.8	12.2
1964-65	9.2	12 0
1965-66	11.2	13.8
1966-67	11.9	15.5
1967-68	9.3	12.1
1968-69	10.4	11.7
1969-70	11.5	12.2
1970-71*	12.4	13.5
1971-72*	10.4	11.5
1972-73*	11.6	12.2

*provisional

TABLE IV

Share of Public Sector in Net Domestic Product

(at current prices)

(per cent)

Year	government administration	departmental enterprises	non-departmental enterprises	total
J960-61	5.5	3.9	1.2	10.6
1961-62	5.9	4.1	1.4	11.4
1962-63	6.2	4.3	1.8	12.3
1963-64	6.2	4.3	2 0	12.5
1964-65	6.0	3.9	1.9	11.8
1965-66	6.6	4.3	2.3	13.2
1966-67	6.4	4.0	2.4	12.8
1967-68	6.3	3.6	2.3	12.2
1968-69	6.7	4.0	2.8	13.5
1969-70	6.8	3.9	3.2	13.9
1970-71*	6.9	3.9	3.7	14.5
1971-72*	7.3	4.0	4.1	15.4
1972-73*	7.4	3.9	4.6	15.9

*provisional

TABLE V

National Product at Factor Cost Saving and Capital Formation

Item	1960-61	1965-66	1969-70	1970-71*	1971-72*	1972-73*
1. net national product (nnp) (Rs crores)						
1.1 at current prices	13267	20636	31968	34627	36599	39592
1.2 at 1960-61 prices	13267	15081	18152	19035	19299	19130
2. estimated population (million)	434	485	529	541	554	567
3. per capita net national product (Rs)						
3.1 at current prices	305.7	425.5	604.3	640.1	660.6	698.3
3.2 at 1960-61 prices	305.7	310.9	343.1	351.8	348.4	337.4
4. net domestic saving (nds) (Rs crores) at current prices	1324	2564	4048	4784	4246	5140
5. net domestic capital formation (ndcf) (Rs crores)						
5.1 at current prices	1805	3164	4290	5175	4729	5441
5.2 at 1960-61 prices	1805	2509	2646	2979	2582	2788
6. gross domestic capital formation (Rs crores)						
6.1 at current prices	2541	4393	6205	7278	7029	7985
6.2 at 1960-61 prices	2541	3540	3938	4309	3955	4232
7. rate of saving (per cent)	9.3	11.2	11.5	12.4	10.2	11.6
8. rate of capital formation (per cent)	12.6	13.8	12.2	13.5	11.5	12.2
9. private final consumption expenditure (pfce) (Rs crores)						
9.1 at current prices	12210	18390	28650	30629	NA	NA
9.2 at 1960-61 prices	12210	13084	15631	16039	NA	NA
10. per capita final consumption expenditure (Rs)						
10.1 at current prices	281	379	540	565	NA	NA
10.2 at 1960-61 prices	281	270	295	296	NA	NA
11. index number (1960-61=100)						
11.1 nnp at current prices	100.0	155.5	241.0	261.0	275.9	298.4
11.2 nnp at 1960-61 prices	100.0	113.7	136 8	143.5	145.5	144.2
11.3 nds at current prices	100.0	193.7	305.7	361.3	320.7	388.2
11.4 ndcf at current prices	100 0	175.3	237.7	286.7	262.0	301.4
11.5 ndcf at 1960-61 prices	100 0	139.0	146.6	165.0	143.0	154.5
11.6 pfce at current prices	100.0	150 6	234.6	250.9	NA	NA
11.7 pfce at 1960-61 prices	100.0	107.2	128.0	131.4	NA	NA
11.8 per capita nnp at current prices	100.0	139.2	197.7	209.4	216.1	228.4
11.9 per capita nnp at 1960-61 prices	100.0	101.7	112.2	115.1	114.0	110.4
11.10 per capita pfce at current prices	100.0	134.9	192.2	201.1	NA	NA
11.11 per capita pfce at 1960-61 prices	100.0	96.1	105.0	105.3	NA	NA

* provisional NA not available

TABLE VI

Net Domestic Product at Factor Cost by Industry of Origin

(at current prices)

(Rs crores)

Industry	1960-61	1965-66	1969-70*	1970-71*	1971-72*	1972-73*
. agriculture	6580	9534	15423	16533	16976	18078
. forestry and logging	174	317	400	448	500	531
. fishing	77	122	212	237	258	293
. mining and quarrying	134	221	341	351	370	400
sub-total: primary	6965	10941	16376	17569	18104	19302
. manufacturing	1856	3014	4358	4770	5179	5721
5.1 registered	1071	1822	2708	2946	3235	3604
5.2 unregistered	785	1192	1650	1824	1944	2117
. construction	625	1060	1761	1901	2009	2141
. electricity, gas and water supply	68	144	281	313	334	366
sub-total: secondary	2549	4218	6400	6984	7522	8228
. transport, storage & communication	576	942	1471	1601	1737	1837
8.1 railways	252	400	503	535	590	579
8.2 transport by other means and storage	261	429	767	830	885	985
8.3 communication	63	113	201	236	262	273
. trade and hotels & restaurants	1294	2231	3396	3678	3904	4410
sub-total: transport communication and trade	1870	3173	4867	5279	5641	6247
0. banking and insurance	160	346	539	636	755	847
1. real estate and ownership of dwellings and business services	392	574	650	696	745	830
sub-total: finance and real estate	552	920	1189	1332	1500	1677
2. public administration and defence	538	989	1503	1635	1832	1992
3. other services	861	1307	1905	2110	2280	2453
sub-total: community and personal services	1399	2296	3408	3745	4112	4445
4. **total: net domestic product at factor cost**	13335	20801	32240	34909	36879	39899

* provisional

TABLE VII

Net Domestic Product at Factor Cost by Industry of Origin

(at 1960-61 price)

(Rs crores)

Industry	1960-61	1965-66	1969-70	1970-71*	1971-72*	1972-73*
1. agriculture	6580	6148	7612	8208	8031	7409
2. forestry & logging	174	240	250	267	282	297
3. fishing	77	91	106	108	113	119
. mining & quarrying	134	188	214	212	222	231
sub-total: primary	6965	6667	8182	8795	8648	8056
5. manufacturing	1856	2557	2975	2989	3041	3167
5.1 registered	1071	1585	1858	1839	1884	1981
5.2 unregistered	785	972	1117	1150	1157	1186
. construction	625	865	1076	1068	1071	1102
7. electricity, gas & water supply	68	131	181	195	214	230
sub-total: secondary	2549	3553	4232	4252	4326	4499
. transport, storage and communication	576	788	957	981	1039	1092
8.1 railways	252	340	388	391	418	423
8.2 transport by other means & storage	261	352	449	463	487	528
8.3 communication	63	96	120	127	134	141
. trade, hotels & restaurants	1294	1681	1961	2017	2060	2113
sub-total: transport, communication & trade	1870	2469	2918	2998	3099	3205
. banking & insurance	160	223	283	310	348	370
. real estate & ownership of dwellings & business services	392	443	454	459	467	475
sub-total: finance & real estate	552	666	737	769	815	845
. public administration & defence	538	823	1055	1144	1288	1372
. other services	861	1056	1214	1261	1303	1345
sub-total: community & personal services	1399	1879	2269	2405	2591	2717
. total: net domestic product at factor cost	13335	15234	18338	19219	19479	19322
. net factor income from abroad	(—) 68	(—) 153	(—) 186	(—) 184	(—) 180	(—) 192
. total: net national product	13267	15081	18152	19035	19299	19130
. population: (million)	434	485	529	541	554	567
. per capita net national product = per capita income (Rs)	305.7	310.9	343.1	351.8	348.4	337.4

* provisional

TABLE VIII

Domestic Saving (at current prices)

(Rs crore

item	1960-61	1965-66	1969-70	1970-71*	1971-72*	1972 73
1. household sector	901	1871	3256	3736	3210	4135
1.1 currency	145	285	335	347	378	587
1.2 net deposits	11	309	97	291	412	563
1.3 investment in shares & debentures	67	775	30	53	16	62
1.4 not claims on govt. sector	57	(—) 9	(—) 105	21	27	184
1.5 life insurance funds	50	96	160	189	212	258
1.6 provident funds	126	216	389	461	529	564
1.7 physical assets	445	799	2350	2374	1636	1917
2. private corporate sector	114	101	147	216	232	191
2.1 non-govt. corporate sector	105	85	121	195	208	165
2.2 co-operative banks & socieities	9	16	26	21	24	26
3. public sector	309	592	645	832	804	814
3.1 govt. administration & departmental commercial enterprises	298	542	626	749	704	673
3.2 govt. companies and statutory corporations	11	50	19	83	64	141
4. total net domestic saving (1)+(2)+(3)	1324	2564	4048	47864	4246	5140

*provisional

TABLE IX

Domestic Capital Formation (at current prices)

(Rs cror

item	1960-61	1965-66	1969-70	1970-71*	1971-72*	1972-7
1. total gross fixed domestic capital formation	2156	4132	6083	6419	6978	7714
1.1 construction	1337	2360	3793	3985	4194	4569
(a) public sector	676	1377	1499	1756	2095	2560
(b) private sector	661	983	2294	2229	2099	2009
1.2 machinery & equipment	819	1772	2290	2434	2784	3145
(a) public sector	379	669	691	678	833	1036
(b) private sector	440	1103	1599	1756	1951	2109
2. changes in stocks	427	295	453	754	388	345
(a) public sector	87	170	69	376	321	8
(b) private sector	340	125	384	378	67	337
3. total gross domestic capital formation	2583	4427	6536	7173	7366	8059
(a) public sector	1142	2216	2259	2810	3249	3604
(b) private sector	1441	2211	4277	4363	4117	4455
4. less consumption of fixed capital	736	1229	1915	2103	2300	2544
(a) public sector	116	217	389	420	453	510
(b) private sector	620	1012	1526	1683	1847	2034
5. total net domestic capital formation	1847	3198	4621	5070	5066	5515
(a) public sector	1026	1999	1870	2390	2796	3094
(b) private sector	821	1199	2751	2690	2270	2421
6. errors & omissions	(—)42	(—)34	(—)331	(+)105	(—)337	(—)74
7. total net domestic capital formation adjusted for errors & omissions	1805	3164	4290	5175	4729	5441
8. total gross domestic capital formation adjusted for errors and omissions	2541	4393	6205	7278	7029	7985

*provisional

TABLE X

Private Consumption Expenditure by Object

(at current prices)

(Rs crores)

items	1960-61	1965-66	1969-70	1970-71	items	1960-61	1965-66	1969-70	1970-71
(1)	(2)	(3)	(4)	(5)	(1)	(2)	(3)	(4)	(5)
ood					2. pan, tobacco & intoxicants	795	921	1304	1389
.1 cereal and cereal substitutes	3499	5014	8543	8917	3. clothing	790	1171	1612	1712
.2 milk and milk product	946	1412	2110	2244	4. fuel and light	479	887	1113	1250
.3 edible oil	478	768	1233	1629	5. rent	643	922	1212	1318
.4 meat, egg and fish	336	612	807	774	6. taxes	10	10	17	20
.5 sugar	582	948	1237	1393	7. miscellaneous	1916	3059	4831	5302
.6 salt	25	36	49	72	8. total	12210	18390	28650	30629
.7 other food	1711	2630	4582	4609	9. per capita private consumption expenditure (Rs)	281	379	540	565
.8 total	7577	11420	18561	19638					

Vate: Estimates for private non-profit institutions, expenditure of residents abroad and expenditure of nonresidents in the country are not separately available due to lack of data. However, estimates for private non-profit institutions are implicit in the private consumption expenditure given in this table which have been arrived at by the commodity-flow method and are provisional.

TABLE XI

Share of Public Sector in Domestic Product

(at current prices)

(Rs crores)

item	1960-61	1965-66	1969-70	1970-71*	1971-72*	1972-73*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
gross product of public sector	1538	2960	4860	5467	6144	6867
1.1 govt. administration	735	1367	2193	2401	2698	2965
1.2 departmental enterprises	586	973	1336	1466	1596	1686
1.3 non-departmental enterprises	217	620	1331	1600	1850	2216
net product of public sector	1422	2743	4471	5047	5691	6357
2.1 govt. administration	735	1367	2193	2401	2698	2965
2.2 departmental enterprises	522	890	1237	1361	1493	1560
2.3 non-departmental enterprises	165	486	1041	1285	1500	1832
			(per cent)			
share of public sector in gross domestic product	10.9	13.4	14.2	14.8	15.7	16.2
3.1 govt. administration	5.2	6.2	6.4	6.5	6.9	7.0
3.2 departmental enterprises	4.2	4.4	3.9	4.0	4.1	4.0
3.3 non-departmental enterprises	1.5	2.8	3.9	4.3	4.7	5.2
share of public sector in net domestic product	10.6	13.2	13.9	14.5	15.4	15.9
4.1 govt. administration	5.5	6.6	6.8	6.9	7.3	7.4
4.2 departmental enterprises	3.9	4.3	3.9	3.9	4.0	3.9
4.3 non-departmental enterprises	1.2	2.3	3.2	3.7	4.1	4.6

* provisional

TABLE XII

Net Domestic Product from Public Sector by Industry of Origin

(at current prices)

(Rs crores)

industry	1960-61	1965-66	1969-70	1970-71**	1971-72**	1972-73**
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. agriculture	30	80	113	141	162	190
1.1 departmental enterprises	30	78	108	136	157	183
1.2 non-departmental enterprises	—	2	5	5	5	7
2. forestry @	48	77	102	107	124	121
3. mining and quarrying	16	33	80	81	89	112
3.1 departmental enterprises	—	—	—	—	—	—
3.2 non-departmental enterprises	16	33	80	81	89	112
sub-total: primary	94	190	295	329	375	423
4. manufacturing	82	236	437	516	560	700
4.1 departmental enterprises	58	114	142	151	166	208
4.2 non-departmental enterprises	24	122	295	365	394	492
5. construction	43	80	126	133	158	178
5.1 administrative departments	18	26	50	52	62	63
5.2 departmental enterprises	24	49	72	75	85	101
5.3 non-departmental enterprises	1	5	4	6	11	14
6. electricity, gas and water supply	45	104	223	248	267	295
6.1 departmental enterprises	10	13	34	36	22	19
6.2 non-departmental enterprises	35	91	189	212	245	276
sub-total: secondary	170	420	786	897	985	1173
7. transport, storage and communication	374	616	892	976	1068	1098
7.1 railways	251	399	502	535	590	579
7.2 communication	63	113	201	236	262	273
7.3 transport by other means & storage	60	104	189	205	216	246
7.3.1 administrative departments	2	4	6	6	6	6
7.3.2 departmental enterprises	36	42	69	76	77	66
7.3.3 non-departmental enterprises	22	58	114	123	133	174
8. trade, hotel and restaurants @	5	22	70	78	117	117
sub-total: transport, communication and trade	379	638	962	1054	1185	1215
9. banking and insurance	62	155	288	414	508	627
9.1 departmental enterprises	2	5	7	9	10	10
9.2 non-departmental enterprises	60	150	281	405	498	617
10. public administration & defence	538	989	1503	1635	1832	1992
11. other services	179	351	637	718	806	927
11.1 administrative departments +	177	348	634	708	798	904
11.2 departmental enterprises	—	—	—	—	—	—
11.3 non-departmental enterprises ++	2	3	3	10	8	23
sub-total: finance & community and personal services	779	1495	2428	2767	3146	3546
12. total public sector	1422	2743	4471	5047	5691	6357
12.1 administrative departments	735	1367	2193	2401	2698	2965
12.2 departmental enterprises	522	890	1237	1361	1493	1560
12.3 non-departmental enterprises	165	486	1041	1285	1500	1832

@ relates to non-departmental only

@@ relates to departmental only.

** provisional

+ relates to education, medical, public health, water supply and sanitary services

++ relates to real estate, ownership of dwellings and welfare institutions

nsettled world conomic scene

E UNSETTLED conditions ich characterized the world onomic scene of the past ar stimulated increased ancial and consultative activities of the International onetary Fund which are ntinuing into 1975.

Drawings on the Fund ring the past year totalled e equivalent of 4,053 million ecial drawing rights (SDRs). is is the largest amount ever gistered in a calendar year; e next highest level had been ached in 1968 with SDR 552 million. It represents a arp turnabout from 1973 hen total drawings of SDR 2.6 million were the lowest ten years. Of the total 1974 rawings, SDR 2,337 million ere under the Fund's regular cilities, and SDR 1,716 illion under the oil facility hich was established during e year to assist member untries in meeting the impact of higher oil import costs their balances of payments.

The Fund's new Interim ommittee on the International Monetary System, at its rst working meeting in Washgton on January 15 and 16, 975, carried on its work f advising and reportng to the Board of Governors ith respect to supervising e management and adaptaon of the international onetary system, considering roposals to amend the rticles of Agreement, and ealing with sudden disurbances that might hreaten the system. The nterim Committee succeeds he Committee of 20, which oncluded its work in midune 1974 and was terminated t the Fund's 1974 Annual Meeting; it had held two meetngs during the year and its eputies four.

During the past year, 33 ember countries used the il facility, drawing amounts f currencies which totalled the equivalent of 1,716 million special drawing rights (SDRs).

The largest purchases were made by Italy totalling SDR 675 million, India (SDR 200 million), Yugoslavia (SDR 139 million), Pakistan (SDR 97.94 million), Korea (SDR 90 million), New Zealand (SDR 85.68 million), Uruguay (SDR 46.58 million), Chile (SDR 41.47 million), and Bangladesh (SDR 40.39 million).

To finance drawings under the oil facility, the Fund entered into borrowing agreements with nine governments or monetary authorities. The lenders and the amounts up to which they have agreed to lend are, in SDR equivalents:

Abu Dhabi	SDR 100,000,000
Canada	249,084,000*
Central Bank of Iran	580,000,000
Central Bank of Kuwait	400,000,000
Kingdom of the Netherlands	150,000,000
Nigeria	100,000,000
Oman Currency Board	20,000,000
Saudi Arabian Monetary Agency	1,000,000,000
Central Bank of Venezuela	450,000,000

The total amount of resources made available for financing purchases under the oil facility thus amounts to about SDR 3.05 billion. At the end of the year, about SDR 1.33 billion were still unused. In order to give member countries time to consider their balance of payments results for 1974, the Fund will be prepared to receive requests for purchases under the 1974 oil facility until February 28, 1975.

At its recent meeting in Washington the Fund's Interim Committee considered the conclusions of the Executive Directors concerning the role of the Fund in financing oil-related deficits for 1975. It is widely agreed that there will be an even greater need for recycling through official channels in 1975.

The establishment of an oil facility in the Fund was first discussed at the meeting of the Fund's Committee of 20 on the reform of the international monetary system on January 17 and 18, 1974, in Rome based on a proposal by the Fund's Managing Director, Mr Witteveen. The Committee asked the Executive Directors to explore urgently the idea of such a facility. After preliminary negotiations with potential lenders in the spring by the Fund's Management, and following intensive discussions in the Board of Executive Directors, a decision was taken on June 13 to establish a new oil facility. Interest on Fund borrowings to finance drawings under the oil facility was set at an annual rate of seven per cent, and corresponding rates are charged to members that draw under the facility. Repayment is to be completed not later than seven years after the purchase.

On August 22, the Fund announced the completion of borrowing agreements with the first seven lenders. This opened the way for purchases by members, and the first group of these were announced on September 6. The pace of purchases quickened towards the end of the year. In an appraisal of the achievements of the oil facility, Mr. Witteveen said that it had been a major factor, especially in the latter part of 1974, in helping many member countries to avoid restriction or unduly abrupt adjustment such as severely deflationary policies or competitive exchange rate action.

Under the Fund's regular facilities of the General Account, member countries purchased the equivalent of SDR 2,337.3 million in 1974 as against SDR 732.6 million in 1973. Besides numerous gold tranche drawings, large purchases by Italy contributed substantially to the overall increase.

Total repurchases amounted to the equivalent of SDR 606.2 million compared with SDR 614 million repaid in 1973. Net drawings outstanding at the end of the year were equivalent to SDR 5,627.4 million compared with SDR 3,505 million at the end of 1973.

Six developing countries, faced with shortfalls in their export earnings, used the Fund's compensatory financing facility for drawings to the equivalent of SDR 107.15 million.

During 1974, the Fund approved stand-by arrangements for 15 member countries in a total amount equivalent to SDR 1,381.75 million, of which SDR 433.10 million was still available at the end of the year. Members and amounts (in million SDRs) of stand-bys approved during 1974 were as follows:

Bangladesh	31.25
Burma	31.5
Chile	79.0
Fiji	3.25
Guyana	5.0
Haiti	4.0
Israel	32.5
Italy	1,000.0
Korea	20.0
Liberia	4.0
Pakistan	75.0
Panama	9.0
Philippines	38.75
Sri Lanka	24.5
Sudan	24.0
	1,381.75

The expansion in the use of the Fund's resources has been met, in addition to borrowing to finance drawings under the oil facility, by using existing holdings of currencies. Some of the currencies included in Fund transactions in 1974 were used for the first time.

They are Bahrain dinars, Ecuadoran sucres, Indonesian rupiahs, Iranian rials, rials Omani, Saudi Arabian riyals and United Arab Emirates dirhams.

A further important development in the Fund's liquidity has been the amendment and extension of the General Arrangements to Borrow for a five-year period dating from October 24, 1975. This enables the Fund to replenish its resources by borrowing up to the equivalent of about SDR

5.5 billion in the currencies of ten of its industrialized members (the United States, Germany, the United Kingdom, France, Italy, Japan, Canada, the Netherlands, Belgium and Sweden). These arrangements entered into force in October 1962 and were modified at the occasion of the present renewal to bring their operational provisions up to date. They provide the Fund with a useful supplement to its resources which it can use when any of the ten participants makes a purchase from the Fund.

On June 13, 1974, the charges on the use of the Fund's resources were revised to range from 4 to 6 per cent per annum, and the basic rate of remuneration was set at 5 per cent, the same as the interest on the SDR.

A major addition to the Fund's policies to assist its members was the establishment of an Extended Facility in mid-September. Under this new medium-term facility, the Fund will give special assistance to members for longer periods, and in amounts larger in relation to their Fund quotas, than has been the practice under existing tranche policies. The duration of a regular stand-by arrangement does not exceed 12 months and the repayment period for purchases made under it is for a maximum of five years; in contrast, under an extended arrangement the member country can count on Fund support for up to three years and will have a repayment period of up to eight years. In its formulation and administration, the Extended Facility is likely to be beneficial in particular for developing countries with serious payments imbalances and structural maladjustment.

A new method of valuation for the special drawing right was introduced on July 1, following a decision of the Executive Directors on June 13. At the same time, the rate of interest on the SDR was raised from 11/2 to 5 per cent per annum. The new method of establishing rates of exchange for currencies against the SDR is the so-called "standard basket." The value of the SDR is set equal to the sum of a "basket" of sixteen currencies, with the share of each currency in the "basket" being broadly determined by its importance in international trade and payments. Using market exchange rates, the Fund each day calculates the value of the "basket" in terms of the U.S. dollar and determines rates against the SDR for other currencies involved in Fund operations and transactions.

There was no new allocation of SDRs at the start of 1974 and thus the total of SDRs in existence has remained at SDR 9.3 billion since the last allocation on January 1, 1972. No decision has been taken regarding further allocations of SDRs.

During 1974 total transfers of SDRs were 1,038 million compared with SDR 1,189 million in 1973 and SDR 1,494 million in 1972. Transactions
with designation, in which tl
Fund designates countries
provide foreign exchange
users of SDRs, totalled SD
449 million, which was tl
largest annual total for th
type of transaction since SDF
were first allocated at tl
start of 1970. The total
transfers for 1974 also incl
ded use of SDR 379 million
transactions by agreeme
among those European cou
tries that maintain their cu
rencies within narrow margin
Transfers from participants t
the Fund's General Accou
totalled SDR 80 million i
1974.

During the year man
countries took the initiati
to obtain SDRs from th
Fund's General Account a
ainst payment of currency i
order to reconstitute the
SDR holdings. The tot
amount obtained in this wa
was SDR 120 million. Ov
the year the General Account
holdings fell from SDR 50
million to SDR 457 million.

—IM
Memorandum, January 7, 197

The Old Order Changes

The "New Deal" envisaged for the tribals in Andhra Pradesh in the First Five-Year Plan stands fulfilled in the successive plans. Development schemes in tribal areas were launched during the First Plan with an outlay of Rs. 118.72 lakhs.

The establishment of four multi-purpose projects at Utnoor, Araku, Narsampet and Paderu in the State marked the beginning of an integrated approach to long-range planning centring on tribal development. During the Third Plan, twenty-four tribal development Blocks covering the tribal areas were constituted.

The tempo of development over the successive plan periods gathered momentum. The outlay earmarked for Tribal Welfare registered manifold increase — from a modest Rs. 118.72 lakhs to Rs. 734.03 lakhs in the Fourth Five Year Plan.

In addition, specialised institutions like the Girijan Cooperative Corporation Limited, and the Andhra Pradesh Scheduled Castes and Scheduled Tribes Cooperative Housing Agency were brought into being to give undivided attention to an aspect of our hydra-headed social problem.

To the changing times the tribals are slowly responding — an encouraging sign indeed. In the crucial days ahead, they will no doubt make a contribution to the mainstream of life.

The old order changes, yielding place to new.

**THE DIRECTOR OF INFORMATION
AND PUBLIC RELATIONS
GOVT. OF ANDHRA PRADESH**

eastern
ECONOMIST

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Vind must change

COULD IT BE that senior ministers in the central government have taken on this January 26 a Republic Day resolution to be obstinately optimistic? Mr T.A. Pai, addressing the second International Semi- of Economic Journalists in New Delhi, has informed us that there is no recession in economy. He has said that industrial production keeps growing, that where out- s had dropped earlier, the concerned industries are picking up and that, as in the e of the textile industry, even where prices were slipping some time ago due to umulation of stocks, manufacturers have since been able to push them up again. Mr jivan Ram, that sedulous searcher after silver linings, desires that we should take rt because the *kharif* procurement has not been going badly, while the *rabi* prospects ve visibly brightened up. Professor D.P. Chattopadhyaya, wanting not to be left ind, has re-assured us that India's export trade would not suffer even if there is re- sion in the industrialized countries or other foreign economies.

Lending his confident music to this orchestration of hope and faith Mr K.C. Pant s promised that his ministry's policy planning for power as well as its vigorous pur- t of performance in the existing facilities and progress on projects in the offing should the country out of its energy difficulties. Crowning it all has come Mr K.D. alaviya's invitation to the nation to rejoice in the certainty that, Bombay High having gun to ooze oil, the country should be self-sufficient in this essential and strategic et around 1985 at the rates of consumption and production coming happily together a level of 30 million tonnes. We should not quarrel of course with these white ights, so bold and true, who are carrying all these horseloads of good news from ent to Aixe, for this journal too is persuaded that, in comparison to 1974 or 1973, new year has started rather well and should be able to do better as it goes along, rs Gandhi and her ghostly advisers, as distinct from her more visible ministerial leagues, permitting.

Mr C. Subramaniam, who occupies the post of Finance minister, — an office which rhaps currently has even more problems than the prestige that necessarily goes with — has been appropriately circumspect in doing any loud thinking since the central dget is only a few weeks away. As a matter of fact he told the seminar that this was time for a Finance minister to do the listening rather than the talking. This is quite reassuring as anything that he could possibly have said. It is clearly necessary and sirable that the Finance minister should keep an open mind and be receptive to sugges- ns that may come to him about the policies by which the forthcoming central budget uld assist the economy in cashing on the favourable circumstances and trends seen in e early days of the new year to which so many of his colleagues have drawn the atten- n of the public. Granted that the food and agricultural base of the economy is im- oving as Mr Jagjivan Ram has claimed, that progress is being made with power neration and distribution as Mr Pant has hopefully suggested and that demand is nning at a level firm enough and strong enough to engage all the productive capacity potential in industry as Mr Pai has forcefully been arguing, it still remains for the vernment immediately through the central budget and also otherwise over the com- g months to impart a positive direction to savings, investment and agricultural and dustrial expansion.

Fortunately Mr Subramaniam seems to be as sensitive to this imperative as any- dy would wish him to be and it is significant that, speaking at the international semi- r of economic journalists in New Delhi, he has just assured the country that the budget oposals on which he is working will impart to the economy the direction which it uld most profitably take. It should be generally possible to concede that no sharp parture from the current monetary or credit policy could be risked for some time to me. The government has been able to assert a certain measure of control over oney supply by raising interest rates and regulating the availability of bank credit and ile it is necessary that the banking system should minister more helpfully to the medium and small industrial units, there does not seem to be any scope presently for reflationary monetary or credit policies beyond adjustments of a marginal nature as the busy season ends.

By the same token it should be proper for fiscal policy to assume some responsibility for activating and mobilizing the productive resources of the community through higher levels of saving, investment or even selective consumption. Here, unfortunately, our public finances have been rigidly laid on a Procrustean bed. Taxation has been stretched painfully to cope with expanding government expenditure on administration and also on a number of unproductive outlays of a capital or revenue nature. At the same time the availability of resources for financing production and investment, whether in the public sector or the private, is being chopped off in order to suit the stringency of aggregate financial resources available for the government or the community. Unless the fiscal proposals of the forthcoming central budget could help the government and the country to get out of this impossible position, the Finance minister cannot really hope to give a constructive turn to the course of the national economy. For one thing the government, taking courage in both hands, should opt out of the present policy of linking dearness allowance to the cost of living and freeze dearness allowance at its existing levels throughout the central government, state governments, public sector undertakings and industrial and commercial establishments in the private sector. This should be the logical sequel to the anti-inflationary measures taken since July last year to moderate the pressures acting on the price level as well as the investible resources in the economy.

Simultaneously the central budget should be equally bold in surrendering notional tax revenues through selective reliefs in direct or indirect taxation which could promptly stimulate economic activity and thereby bring about a genuine improvement in the government's tax revenue. In the case of direct taxation it would be socially valuable and economically worthwhile to raise the income tax exemption limit to Rs 7,500 and moderate the incidence of taxation correspondingly on incomes up to Rs 25,000. It would also be wise and proper to make it more attractive, particularly for assessees in the income range of Rs 25,000 to Rs 40,000 to save more and invest more by offering them a suitable scheme of more liberal tax rebates designed for the purpose.

As for indirect taxation, the simplest as well as the most straightforward course would be to look very closely indeed into those central excise duties which may be harshly restrictive of production or essential consumption. In any event there is no case at all for retaining any central excise duty at a level which is killing or is threatening to kill off established industries by draining their liquidity or otherwise squeezing their financial resources. It may be argued that any reduction or relief in taxation, however contrived, would only force the government to depend even more heavily or objectionably on deficit financing. The short answer could be that the galloping increase in taxation which has been continuously taking place has after all not been able to moderate the recourse to deficit financing. Could it not be that the time has come for the problem to be dealt with on a different basis or on different assumptions?

As we had indicated earlier, the dras
curtailment of unproductive public e
penditure, both on revenue and capit
accounts and the rigorous disciplini
of other outlays according to a ration
order of priorities seem to be the on
means open to the government to ga
some authority over its resources positio
The mere raising of taxation, wheth
direct or indirect, again and again h
already become counter-productive ar
the law of diminishing returns is bound
operate even more fiercely in the future
further increases in taxation or even th
maintenance of some of the taxes at the
existing high rates were to inhibit th
production of particular industries or th
general growth of economic activity —
indeed they would. Mr Pai may be rig
in saying that there is no recession yet
the economy. Inflation, however, is ve
much there and if the government does n
act seriously enough to prevent stagnati
or feeble economic business expansi
becoming a loyal attendant of inflation, M
Pai would be the first to realize that n
merely a recession but an economic cris
of inadequate production and growing u
employment would emerge to falsify th
pristine expectations of this new year.

Pant and power

THE UNION minister for Energy, Mr K.C. Pant, has been drawing attention to the improvement in the power situation with the better management of existing thermal capacity and the installation of additional generating sets for over 1000 mw so far in 1974-75. However, the demand for power is growing at such a rapid rate that it will be difficult for the state electricity boards to step up generation to the desired extent, unless higher priority is accorded for implementation of power schemes and there is more effective coordination of the activities of the state electricity boards in different regions. Rajasthan, Madhya Pradesh and Kerala have surpluses to export though there are deficiencies in the inter-linking of grids of Rajasthan, Punjab and Haryana. The quantities of power generated in Madhya Pradesh and Kerala, are, of course, being fully utilised though even in the later state hydel power generation has been
adversely affected as in Maharashtr
Karnataka, Tamil Nadu and Orissa, b
the failure of monsoons.

What precisely is the thinking of th
government and the planners in rega
to the execution of new and continui
schemes has not been spelt out in spi
of the fact that the fifth Plan is runni
out its first year. It is true that in additi
to the new capacity of 1700 mw, if n
2000 mw in 1974-75, as much as 3000 m
in 1975-76 will be created. Even th
achievement of a target of 5000 mw
1974-76, which by itself is commendabl
cannot help the planners to reach the am
bitious goal of over 35,000 mw by 1978-7
With the constraints on financial resourc
and the handicaps of the state gover
ments, it will well-nigh be impossible t
step up the tempo of construction of hyd
and thermal projects for creating new cap
city at an annual average of 4000 mw i
1976-79. The task, however, is n
beyond the capability of the nation

nal generating sets will be available he required volume and what is all led is the organisation of work and embly of men and material with the vision of the requisite resources.

here is no indication yet of any pre- edness on the part of the Planning mmission to consider sympathetically claims of state governments like dhra Pradesh, Tamil Nadu, Karnataka, d Uttar Pradesh on the plea of lack of ources and insistence on the mobili- ion of matching funds. The position in southern region particularly is grave. r, against the signs of improvement in er regions, there has been a net dete- ration in power availability with the dis- rous failure of both the monsoons and earlier slow progress in respect of exe- ion of plan schemes. The Tamil Nadu vernment has again been obliged to uble the power cut to 60 per cent re- ntly and is now worried about preventing further rise in the cut in summer nths; Kerala is not in a position supply the usual quota of 2 million units ily because the hydel storages are not isfactory and its own needs cannot be ly met if there is no careful manage- ent of available water resources.

Karnataka has been badly hit in the last o seasons. The increase in the capacity Belgaum Smelter by 20,000 tonnes is naining largely unused while work on esh expansion has had to be slowed wn. The Mangalore fertiliser project ay go on stream later in the year. Other lustrial ventures also are implementing pansion schemes and only recently the ite's Industries minister, Mr S.N. ishna, emphasised the need for erecting coal based or nuclear power station in e Hospet region for achieving balance generating capacity and preventing a re- rrence of the current happenings. Even the Kalinadhi project can take shape ickly it can be hoped that there will be distinct improvement in power availabi- y only in the later years of the current an period. But progress has been in- ecusably slow and it will not be sur- ising if this mammoth project in all ges, accounting for a capacity of over 00 mw, will be completed fully only by e middle of the next plan period.

The Chairman of the Andhra Pradesh State Electricity Board has also bemoaned that the Srisailam, Nagarjuna Sagar and Lower Sileru projects having a capability of 840 mw are being constructed for nearly a decade now because of the severe shortage of financial resources. These schemes could have been completed in 5/6 years yielding valuable additional power by now and relieving the pressure on consumption of petroleum products or coal. The Kothagudam 4th stage expansion also has not been quickly taken up, while Vijayawada thermal station, with an initial capacity of 200 mw, may not get off the ground unless additional emergency assistance is provided. The schemes on hand will result in, an addition of 1500 mw by 1978-79, meaning an increase of 250 per cent over the capacity of 1973-74.

Andhra Pradesh may not be fully using the new capacity though the experience of the past clearly shows that the demand for additional energy will automatically be generated once the disribution arrangements are satisfactorily completed and a massive programme of energisation of pump-sets is undertaken. Andhra Pradesh is also in the happy position of supporting mammoth pit-head thermal stations at Ramagundam and Kothagudam because the desired quantities of coal and water for cooling and steam generation are available in plenty.

With a big push to the execution o continuing schemes in AP, steady progress on Kalinadhi and expeditious commissioning of three generating sets in the first phase of the Iddiki project in Kerala, there is a prospect of nearly 200 mw of capacity being brought into being by 1978-79. In Tamil Nadu, the 5th unit of 110 mw in Ennore Station will be ready later this year. But there is no possibility of other schemes being completed including even the Kalpakkam Power Station before the early years of the sixth Plan as progress is slow and many new projects are only in the very early stages. Any improvement in power supply in Tamil Nadu can, therefore, be achieved only with the most effective use of Ennore's capability of 450 mw, after the fifth set is commissioned, and Neyveli's capacity of 600 mw. Some serious efforts are being made to raise the efficiency of working of Ennore with the remedying of defects in plant design, maintenance repairs and operational problems. In Neyveli too oil is being used in two boilers and lignite output is being raised to the extent possible with the available machinery. But the arrangements for modernisation of mines and stepping up

Eastern Economist Annual Number 1975

This special issue, dealing with "inflation in the world economy," discusses in depth and detail the major economic developments and trends in recent years which have resulted in or contributed to the problems of economic stability, growth or development which the countries of the world face today. The economic situation in different parts of the world is described and analyzed and profiles are presented of a large number of national situations. India's own economic circumstances and prospects are viewed in the larger world perspective as well as in terms of its own specific problems and requirements. The annual number is illustrated with analytical and descriptive charts and statistical tables. Priced at Rs 15 per copy this special publication is on sale with leading booksellers and it can also be had directly from :

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lignite raisings are not proceeding at the pace needed in an emergency situation. It will not be a surprise if between Ennore and Neyveli additional 200 mw of capacity is activised.

The needs of the southern region can therefore be met only by a pooling of the resources of the state electricity boards and integrated operation of thermal and hydel capacity. As there is a high degree of cooperation in the operations of hydel and thermal stations and the transmission of available power, the surplus energy of thermal stations during nights is being "banked" in Karnataka and released during peak hours. But the union ministry of Energy and the Planning Commission have to take helpful decisions if economic growth in the southern region is not to be stifled. The Planning Commission particularly has been laterly insisting that the state governments should mobilise additional resources if they are desirous of increasing plan outlays. It has been made brutally clear that central assistance for 1975-76 will be pegged at the level of 1974-75. This approach is understandable when the emphasis is on avoidance of deficit financing. But it will be only accentuating inflationary pressures and making nonsense of fresh investment in new industrial projects, if the power situation remains critical. The centre has to find ways and means for allocating additionally Rs 150 crores annually for power schemes of the southern states. If need be, there may be special safeguards about the amortisation of these debts. It may also be insisted that there should be restructuring of electricity charges for improving viability of the state electricity boards.

In the ultimate analysis the required resources have to be secured by augmenting the revenues of the state electricity board. It has, of course, been legitimately complained that the cost of thermal generation has been needlessly inflated by unilateral action in regard to the refixation of prices of coal, delays in the implementation of modernisation of the Neyveli lignite mines and low operating efficiency of the Ennore thermal station. The necessary allowance can be made for these deficiencies when fixing revised tariffs. But there is no escape from costlier power and the average cost can be kept down only with the implementation of pit-head power stations in AP and quicker exploitation of the hydel potential of Karnatka and Kerala. It may even be advisable to dispense with work on industrial projects in the state sectors for some time and divert available resources fully for power projects for a few years. The centre too can take over the implementation of some new projects on its own and relieve the financial bottlenecks. Without a dynamic approach to the problems on the power front and the helpful attitude, the southern region cannot hope to make any significant headway in the coming years.

Towards easier money?

CERTAIN RECENT developments in the money market in the 1974-75 busy season clearly suggest that some new trends are emerging in the banking system which would make it definitely easier for lenders to meet the requirements of their constituents without any sizeable assistance from the central banking institution. At this time last year it looked as if there would be an unrelieved squeeze for funds and the scheduled commercial banks might not find it easy in the foreseeable future to relax credit controls and provide the required resources for all productive purposes. The galloping rise in prices domestically and imported inflation resulted in the creation of unexpected pressures and it was not possible then to visualise that the adjustment to the new situation would be completed soon and the Reserve Bank would not be compelled to resort to ininflationary financing even with the administration of rigorous credit controls.

These fears have happily not turned out to be correct, and with a decline in prices for several commodities in world markets and even a drop in wholesale prices in recent months within the country, the demand for funds from industry and trade has slowed down and there is no disposition now on the part of industrial units to build up inventories in the same manner as they did until recently. Curiously enough the sharp decline in prices for non-ferrous metals and other imported items in the latter half of 1974 is resulting in the replacement of high-priced inventories with low-priced fresh purchases enabling a better use of available credit limits.

It may be too soon to say that inflationary pressures have been contained and there may not be a repetition of the happenings of 1973-74. But the latest reports suggest that the rabi harvest may be really helpful in bringing down food prices and with an improvement in the power situation in some parts of the country, industrial production also may tend to improve in several directions, easing shortages and making it less profitable to indulge in black-marketing. If these expectations turn out to be correct it can be safely reckoned that banks will again be in a comfortable position in the latter half of the year and the strain on available resources, if any, will be due only to an expansion of credit for procurement purposes in May-July. In the prevailing circumstances, bank finance for procurement purposes on a large-scale will certainly be reflected in a smaller demand for assistance from other directions as the artificial character of rises in prices for many commodities, due to shortage and speculation, may get corrected to a great extent.

The expansion of credit in the current busy season so far has been on a much smaller scale than in the same period in the 1973-74 busy season. In fact, the recent improvement in growth of deposits and slower rise in advances have enabled the lending institutions to reduce their reliance on the bill market scheme or refinance facilities provided by the Reserve Bank. The poor demand for procurement credit has of course been partly responsible for the reduced pressure on the banking system. The outstanding amount of procurement credit on January 10, 1975 was only Rs 215.50 crores against Rs 367.53 crores. However, even allowing for the expansion of food credit in the last busy season which was of the order of Rs 189 crores, the growth in non-food credit has been on a much smaller scale so far in 1974-75. This is borne out by a study of the data available in the weekly statements of the sche-led commercial banks. Advances of ese banks between October 26, 1974 and nuary 10, 1975 have risen by only Rs 1.95 crores against as much as Rs 1.53 crores in the corresponding period 1973-74.

It must be remembered that the surge advances in October-January 1974 as on top of a contra-seasonal rise the closing months of the 1973 slack ason. The increase in advances between eptember 28, 1974 and January 11, 1974 as thus as much as Rs 770.09 crores gainst only Rs 373.65 crores between eptember 27, 1974 and January 10, 1975.

Thanks to a vigorous growth in deposits tterly the credit institutions have not een obliged to borrow heavily from the eserve Bank even with the completion f the borrowing programme of the cen-al government for 1974-75 by floating ew loans in November and December hich called for fresh investment of Rs 60 crores. The lowering of the cash reerve ratio by one per cent to 4 per cent in wo stages in December has of course been elpful in preventing a larger diversion f fresh deposits though the statutory obli-ations called for sizeable investment of resh deposits concurrently, to some exent.

It was not anticipated that there would be a significant pickup in the growth rate of deposits as the experience of 1974 was not quite encouraging. There may be some exaggeration in fresh additions to deposits due to year-end adjustments. But the same exercises were carried out also early in 1974. It should therefore be said that there has been a revival in growth in deposits, the additions since the beginning of the busy season to January 10, 1975 being Rs 440.75 crores against Rs 401.08 crores in the corresponding period in 1973-74. With slower expansion of credit, borrowing against refinance facilities has been only Rs 38.22 crores against Rs 154.01 crores. The outstanding amount under the bill market scheme also has risen only modestly by Rs 58.26 crores against Rs 95.25 crores. The aggregate assistance provided by the Reserve Bank was thus only Rs 96.48 crores against Rs 249.26 crores. The use of refinance facilities in the previous busy season was exceptional to some extent due to an increase in the cash reserve ratio. But the net increase would still have been sizeable because of the unsatisfied demand for funds of all constituents.

It will be interesting at this stage to examine how the current busy season will behave until the end of April and to what extent banks will be obliged to seek the assistance of the Reserve Bank for meeting their commitments. Even allowing for the brisk marketing of a larger cotton crop and the prospect of a higher level of sugar production, it seems unlikely that the increase in non-food credit in the whole season will be more than Rs 650 crores against Rs 848 crores in 1973-74. As it is also probable that the growth in deposits will be much higher at Rs 750 crores against Rs 682 crores the level of borrowing under the bill market scheme and against refinance facilities at the end of April may not show any appreciable increase as compared to the level at the end of October 1974.

It will not therefore be wrong to say that the forthcoming slack season may witness a return to more comfortable conditions in the money market even with the impounding of a fairly large amount in buffer stocks. As the Reserve Bank has been adopting latterly a more helpful attitude and the managements of industrial units have been inculcated with a sense of dicipline in the use of funds, it will be advisable to liberalise credit controls wherever a relaxation will be useful in boosting industrial and agricultural production. The lending institutions should also be prepared to reduce interest rates on advances which are at present exhorbitant in many directions.

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FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

IMF's Oil Facility • Bombay High Potential • Power Outlook

A GOOD deal of satisfaction is being expressed in the official circles here over the agreement reached a few days ago at the Washington meeting of the 20-Nation Interim Committee of the International Monetary Fund to extend the system of oil facility—introduced last year—for the current year and to charge a concessional rate of interest on the amounts available under this facility to the developing countries which are most affected by the near-quadrupling of the prices of crude oil during the last 30 months.

For the time being, the amount of the oil facility for this year—1975—has been fixed at five billion Special Drawing Rights (SDRs)—equivalent to six billion US dollars. Our quota in this will be 670 million SDRs ($800 million). Being one of the countries worst affected by the global oil crisis, this year we will be provided assistance under this facility at a concessional rate of interest —about 2.5 per cent, as against the normal seven per cent which we were required to pay last year. No relaxation, however, has been effected in the period of repayment of the assistance received under the facility; the repayment period remains five to seven years.

special fund

To enable the worst affected countries to secure assistance under the oil facility at concessional rate, the Washington meeting decided to constitute a special fund which has to be subscribed by the oil producing and the developed countries on fifty-fifty basis.

The quantum of the oil facility is envisaged to be reviewed in June when the 20-Nation Interim Committee meets again at Paris to finalise the programme. The estimates of requirements at the Washington meeting varied from six to twelve billion SDRs.

The union minister for Finance, Mr C. Subramaniam, who attended the Washington meeting, revealed to newsmen here last week that there was some difference of opinion at the meeting on the extension of oil facility for the current year. The United States of America favoured the establishment of a Trust Fund of $25 billion for the benefit of the developing countries, instead of continuing the oil facility. It, however, soon fell in line and did not pursue the trust fund idea in view of the general consensus.

unutilised facility

Last year, we utilised about 200 million SDRs out of our quota of 400 million SDRs under the oil facility. A further request has been made for 150 million SDRs recently. This request has not yet been acceded to by the IMF; it is still under consideration by it. The Washington meeting decided that the unutilised quantum of the last year's oil facility should be added to this year's facility. This carry-over, Mr Subramaniam estimated, was of the order of about a billion SDRs. The countries which could not utilise their last year's allotments fully, of course, would not be automatically entitled this year to the unutilised allotments of last year, as this year's allotments are to be determined taking into consideration the reserves position of the countries concerned.

Another important decision taken by the 20-Nation Interim Committee, Mr Subramaniam stated, related to the IMF quotas of the member countries. It had been agreed that the total of the IMF quotas for all members should be raised by 10 billion SDRs to 39 billion SDRs. The share of the members of the Organisation of Petroleum Exporting Countries has been increased from five to ten per cent. A corresponding reduction has been affected in the quotas of the developed countries which will now be 67 per cent of the total. The share of the developing countries has been maintained at 23 per cent. Our share remains uneffected at 3.2 billion SDRs. Mr Subramaniam disclosed that the developing countries wanted the IMF quotas to be increased by 50 per cent, but the developed countries wanted the increase to be restricted to only 30 per cent. A compromise was struck at 32.5 per cent. It was, of course, agreed that the IMF quotas in future should be reviewed every three years, instead of every five years as has been the case hitherto. The IMF statute is envisaged to be amended accordingly.

One of the most controversial issues discussed at the Washington meeting, Mr. Subramaniam stated, was the role of gold in the international monetary system. It was agreed that gold as a reserve for currencies should be gradually phased out. There was, however, a good deal of difference of opinion on whether the central banks of the members of the IMF should be allowed to sell or purchase gold at the current market rates. France favoured such transactions, but India expressed the view that since gold standard was to be given up ultimately, there was no point in central banks purchasing gold in the open market.

excessive liquidity

The developing countries in general felt that since nearly 80 per cent of the world monetary gold—the gold kept by central banks as reserve against currencies—was held by eight developed countries, the revaluation of this gold at the current market prices would raise their reserves by $ 100 to 120 billion. This would give them excessive liquidity which would only accentuate global inflationary pressures. The gold question is proposed to be considered further in June when the final decision is envisaged to be taken as a package of the amendments to the IMF statute.

On floating of currencies—another matter which came up for discussion at the Washington meeting—Mr Subramaniam stated that the general view was that loatations should be done under the surveillance of IMF. The USA, however, favoured more freedom to the countries concerned. Any request for floatation, it wanted, should be accepted by the IMF as a matter of course.

About the recycling of the huge surplus funds available with the oil exporting countries Mr Subramaniam observed that while the developed countries like the USA wanted this recycling to be done through them, the developing countries desired an institutional framework for it. An interesting idea convassed in this connection was to make available credits to the middle group of countries at intermediate rates of interest (between 8.5 per cent charged by the World Bank and 0.75 per cent by the IDA). The intermediate rate could be three to four per cent. The repayment period for such loans could be 40 years,

In his discussions with the World Bank President, Mr Subramaniam revealed that he had put up proposals for aid for several agricultural, hydro-electric and super power stations. This aid had been sought in addition to the normal assistance available under the aegis of the Aid-India Consortium.

Another important revelation made by Mr Subramaniam was that he had assured the union ministry of Petroleum and Chemicals that both the rupee and foreign exchange resources required for the oil exploration and production programme would be provided fully.

Mr Subramaniam indicated that the USA was likely to provide 300,000 to 500,000 tonnes of foodgrains under the new PL-480 programme by June and an equivalent quantity after June. This PL-480 programme was quite different from the old one. The purchases were to be made at commercial prices, but on deferred payment basis. The interest on deferred payments was concessional—two per cent for some years and 2.5/3 per cent therea fter. The payment could be spread over a period of 40 years, with 10 years of grace period.

* *

A very important disclosure was made by the union minister for Petroleum and Chemicals, Mr K. D. Malaviya, in an informal talk with me last week concerning the potential of the Bombay High structure where oil was struck a few days ago in the third well in succession. The Chairman of the Oil and Natural Gas Commission stated a few days ago that the latest strike had raised the potential of this oilfield to 10 million tonnes of crude per annum.

Three more exploratory wells are envisaged to be drilled in the area before the onset of the monsoon season. Although all efforts are being made to accomplish this task within the stipulated period, the third well, however, may have to be taken up after the monsoon season if it starts early.

The important disclosure made by Mr Malaviya is that if oil is struck in the sixth well—which is to be drilled just outside the periphery of the Bombay High structure—the estimate of the potential of the oilfield will be doubled immediately. This well will enlarge the dimensions of the field by 100 per cent.

* *

The concerted measures initiated by the ministry of Energy about a year ago to improve power availability in the country have started yielding wholesome results. The minister for Energy, Mr K. C. Pant, told newsmen here last week that the performance of the existing thermal power stations registered a marked improvement during the three months to December last, with the result that generation from these units during the nine months of December recorded an overall increase of five per cent over the level during the corresponding period of 1973. Taking into account the new power stations added in these nine months, the power supply between April and December (30,813 million units) was higher by 10 per cent, compared to the corresponding period in the previous year. The addition to the generation capacity during the current financial year upto December-end had been of the order of 1,000 MW, as against 486 MW during the whole of 1973-74. The total addition to capacity during the current financial year is expected to go up to 1,800 MW, as against the targest of 2,000 MW.

If the recent improvement in thermal generation continues, as was hoped by Mr Pant, the power supply position in the country should ease considerably next year as not only another 3,000 MW capacity is expected to be added between April, 1975, and March, 1976, but also the recent heavy snowfall should increase hydel generation very significantly.

The overall capacity utilisation of thermal power stations during the nine months to December was 51 per cent. There is a considerable scope for further improvement in utilisation of capacity as 85 per cent is considered to be the optimum utilisation. In December, the utilisation was nearly 58 per cent, as against less than 50 per cent on an average during the six months to September.

System-wise, the utilisation of capacity between April and December worked out to 65 per cent in Gujarat, 63 per cent in Delhi, 62 per cent in Uttar Pradesh and 61 per cent in Andhra Pradesh. In Bihar West Bengal and the DVC area, however it still left much to be desired at 43 47 and 44 per cent, respectively. The Bihar and West Bengal systems, together with the Maharashtra system, incidentally have shown the least improvement (only 1, 6 and 3 per cent, respectively) over the performance during the nine months to December, 1973.

Apart from the significant improvement in maintenance of power stations, the most important factor responsible for a steady increase in generation has been the increased output of coal. The movement of coal to power stations has also been well kept up.

The overall production of coal during the current financial year is expected to touch 88 million tonnes, as against the target of 90 million tonnes. Compared to 1973-74, this year's output will be nearly 10 million tonnes more. Next year, the outputis expected to go up by another 10 million tonnes.

marked improvement

The increased output of coking coal, incidentally, has helped in increasing coal stocks at the steel plants to 1.87 lakh tonnes on January 21—equivalent to six day's consumption. At the beginning of this month, the stocks with the steel plants were 1.7 lakh tonnes—equivalent to five days' consumption. In December, they did not exceed 1.55 lakh tonnes. The output of coking coal registered a marked improvement during the special production fortnight organised by the Bharat Coking Coal Limited (BCCL) starting from December 30. The daily rate of production during this period increased from 58,000 tonnes to 90,000 tonnes. The total output during this fortnight was 1.13 million tonnes, as against the target of 850,000 tonnes and actual production of 670,000 tonnes in the previous fortnight. Although it is not expected that this tempto of production can be kept up during the coming weeks, yet it has been noted with satisfaction that the mines of BCCL have a capacity to yield a much higher output than had been the case upto December.

A national conference is proposed to be held sometime during summer to draw up a programme of action for optimising energy sources and substitution of oil by coal and other fuels. By that time, it is hoped, the work of processing the report of the Fuel Policy Committee would have been completed. The programme of action is to be drawn up in the light of the recommendations of this committee and the other technical and economic studies underway in the Energy ministry.

POINTS OF VIEW

President on the world economic crisis

THE FORUM of Financial Writers has aptly chosen "The World Economy in Crisis" as the theme of this seminar. During the third quarter of this century, the world has seen unprecedented progress, comprising in these about 25 years an order of economic growth which is unparalleled in human history. And yet, around the close of this quarter century, more specifically over the last 18 months or so, the world has also been engulfed by numerous problems. There is even danger that the present international economic system which has been the sheet anchor of the orderly development of the post-Second War world economy, may collapse. We may revert to a chaotic situation in the matter of international trade and exchanges unless corrective steps are taken to ensure the proper functioning of the international economic system. It is, therefore, most timely that international financial experts from both developed and underdeveloped countries, from countries with a persistent balance of payment surplus as well as with chronic balance of payment problems, from countries on the threshold of development and from those struggling to break out of the vicious circle of poverty, low savings and low investment and consequent low income, have gathered here today to discuss the problems of the world economy in this crucial period of human history.

nature of the problem

I would not presume to go into the details of the problems that are proposed to be discussed during the coming few days in this meeting of experts. I would, however, like to share some personal thoughts with you in regard to the nature of the world problem today, so that the experts gathered here from diverse countries could deliberate on the issues posed for this seminar in the perpective of the social and political considerations that I feel are paramount in any solution of these vital problems.

The Second International Seminar of Economic Journalists was held in the capital from January 22 to January 28, under the auspices of the Forum of Financial Writers, New Delhi. We are reproducing here the address of the President, Mr Fakhruddin Ali Ahmed, who inaugurated the seminar and speeches made by some of the participants. Speeches of some more who participated in the seminar will be published in subsequent issues.

The major problem of the world for the next 25 years as I see it is that of bringing about a better balance in the living standards and rates of growth of different peoples inhabiting this planet. As I stated earlier, the world has seen unprecedented growth over the last 25 years, an order of growth which perhaps the world has not seem in a couple of centuries preceding this quarter century, or even perhaps over a thousand years preceding the last couple of centuries. Nonetheless, this growth has occurred only in certain parts of the world, and has left behind vast sections of the human race living in conditions prevailing in the middle ages or even worse. This inevitably gives rise to tensions and to problems of international exchanges which are deep-seated, and for which all thinking men have to find an adequate solution. In the race for growth, we cannot afford to forget or to neglect the conditions of life and the prespects of growth for large sections of the world population. Large disparities lead to tensions and create manifold problems within a country. With improved communications, the same is likely to hold true for the comity of nations. When the race for growth turns into a free for all, and when there is attempt to safeguard one's own position at the expense and to the exclusion of all others, in short, when each tends to follow "begger thy neighbour" policies, there arise basic problems which could lead to the end of the present international order and the existing international system of exchanges.

I have a particular reason for emphasising this point. I find from the themes of deliberation chosen by you such vital subjects as resources for development; the oil crisis and the developing countries, production and supply from developing countries; cooperation between producers and consumers of oil; opportunities for exports; and international cooperation and aid. In short, the subjects chosen for discussion cover almost all the important problems that face the world today, and these problems arise mainly because of the divergent points of view and approaches of different countries understandably concerned with their own individual problems.

unprecedented inflation

The basic problem that faces the world today, in my view, is one of orderly growth of all nations. The nineteen sixties were declared by the United Nations as the first Development Decade, and a fair amount of growth was achieved by many developing countries during those ten years, though in retrospect one finds that the rate of growth achieved by developing countries has still been less than the rate of growth achieved by the developed countries generally. The Second Development Decade, however, has not seen even this modest rate of growth in so far as the developing countries are concerned. Indeed the year which has just ended has seen unprecedented inflation in all countries of the world, with an attempt by many countries including some developed ones to pass on the burdens of this inflation to others, with the result that this burden has fallen on those who are least capable of bearing it. There has also been a cooling off of the spirit of cooperation and international assistance which had characterised the previous decade.

I consider this to be an unhappy development. Just as no man can live and thrive by himself, no country can prosper day in isolation or in complete disreard of the well-being of its neighbours and of its trading partners around the world.

This is a perspective which I feel we hould keep in mind while discussing ome of the present problems of the world. have heard in many forums that the risis in the world today arises solely beause of the policies adopted by the oil producing countries. The sudden and sharp ncrease in oil prices has undoubtedly reated certain problems, for which there s need for appropriate solutions. But we seem to forget that oil is a wasting esource; that for decade, the price of oil ad no relationship to the real cost of this primary source of energy in terms of the ost of its alternatives; and that the trade nd aid policies of the developed countries have also been onerous for many developing countries, the more so because of the long history of such policies.

In more recent times, I find that the forces of inflation are becoming infectious, and that many countries facing internal problems are seeking to pass on the burden of their own inflation to other helpless countries. This to my mind is a short-sighted policy which contributes to the sense of international insecurity, and which could lead to a return to the distressing conditions of the inter-war years. On a different plane, in the context of the problems of the international monetary system, the attempt to put back gold as the central deity around which the international economic system is to revolve, as is recommended by some authorities, seems to me a surrender to primitive thinking, and if accepted, could presage the end of the international economic order built up assiduously after the second World War.

I am sure all the experts gathered here will deliberate on those problems, keeping in mind the needs of peaceful growth of the world, of the economic use of the world's resources, and of equitable distribution of the fruits of human endeavour. I am sure your deliberations would be of great value not only to us but to all governments around the world so that the last quarter of the present century can see a resumption of the growth recorded in the previous quarter which has been interrupted lately, with better distribution of this growth so that it reaches the less privileged of the human race.

Where do we go from here?

E. P.W. da Costa

THE DECADE that ended with the global energy crisis of October 1973 was, in many respects, a rewarding experience or countries of the Third World. For one thing, it contained a great part of the United Nations First Development Decade when the problems of underdevelopment were approached for the first time with what might be described as a sense of global responsibility. The fact that its pparently ambitious target growth of eal GNP of five per cent on the average was achieved is not, it is true, the reflection of this global responsibility but some of the nstruments of success, notably the Green Revolution, demonstrated more than ever he power of know-how transfer on a world-wide scale. The decade also conained the impressive unity of "the group of 77" which, for the first time, seemed to ubdue the differences of the Third World when facing the affluent and industrialised ountries with their capacities to dictate prices almost in everay country of the world.

Undoubtedly this unity did improve what might be described as peripheral areas of collective bargaining both n UNCTAD and GATT and the tone, f not the substance, of some United Nations resolutions in every specialised gency. The industrial countries did, ineed, yield further ground and aid to the Third World was often added more generously than more liberal trade. It looked s though, as time went by, the doctrine of Countervailing Power would somehow get established between two sectors of the trading system which, for three centuries, have lived in confrontation. But the stately movement of the instruments of UNCTAD and GATT — consolation prizes offered to those without basic economic or money power or military might based on advanced technology — has not been permitted to run a fruitful course.

The manner in which that trade negotiating system was replaced by the pattern of 1974 need not be again described: but two essential elements in the 1974 Revolution can be mentioned. Firstly, and in a sense triumphantly for the Third World, the doctrine of Countervailing Power suddenly went to work. Without military power, OPEC countries of the Third World as suppliers dictated terms as absolutely as any group of nations has ever been able to do in all the world's history. The suddenness, the completeness, the extraordinary simplicity of the operation is, in retrospect breathtaking. But secondly, and far less happily, in its moment of spectacular success, the Third World has been struck a grievous blow. For the group of 77, which had forged impressive unity in an attempt to secure social and economic justice at once fell apart. There fell out of the Third World a Fourth World whose growth and payments problems have become incapable of resolution unless the new strongholds of affluence and impregnable money power heed the injustices the new order has inflicted on the weakest sections of the poor developing world.

Our long addresses in the last decade to the First and Second Worlds have thus suddenly become irrelevant. The major debate now is between the Third and the Fourth Worlds; have all the bridges of unity built into the group of 77 dissolved because their interests are now seen so wide apart? This is a central question for the future. And it is not only a matter of the one billion dollars of which India is currently short or the ten billion dollars which the new Fourth World needs so desperately. The turn in Fortune's wheel always changes the character of fair-weather friends. But has the basic unity of purpose of the old Third World succumbed again to Realpolitik which means simply that nation states must operate foreign and economic policy in their "interests"; meaning, in fact, that national policy is to be settled by higgling and haggling to determine what price tags shall be set on each Act of State. Thomas Fuller once said, obviously with great error, that he who dwells in the market-place shall not need teachers. The western world's setback is precisely because it saw so much of policy as in the market-place; in the end it did not see the massive power not so displayed. Equally could it not be that the Fourth World's frustration and despair could be a major hurdle which the new Third World needs to surmount?

In its essential elements, both the power of the new Third World and the misery of the Fourth World reflect the age-old structure of inequality between nations and between peoples. The average per capita income of top OPEC countries is near US $10,000; in the developing countries afflicted, it is below $200. In India we still linger at a figure below $1,00 per head. In other words, between the topmost scales in the new rich OPEC countries and India, there is a ratio of 100 to 1. There is, it is true, India's total official gold stock which will have to be sold every year to pay the oil bill. The price of gold, which in the last fifteen months has competed well with oil, may create in some millions of Indian households an illusion of external well-being. Let us not forget, however, that 1975 is Women's Year: so far as Indian gold is concerned, I am in a position to announce this year will last forever.

There was just two years ago an acute North/South problem in the world. We were adjusting our sights to the resolution of that problem when it changed its location, but not its form. For us in Asia, it is an East-Middle East problem. For us in India, Pakistan and Bangladesh it is a South Asia-Middle Asia problem. But geography makes no difference. It is a problem of the basic inequality of nations with high-priced property and nations without what the economists still call value in exchange. With $100 per capita income what value in exchange have we in India to buy oil of $1.5 billion every year?

excessive penalty

It is true we could have done much to avert our grim helplessness today. In particular, if the Bombay High drilling operations had been undertaken a decade ago when they were first mooted we could perhaps have escaped our current impoverishment and could conceivably have been self-sufficient in oil as we now hope to be in the late eighties. However, the penalty our destitute poor are paying for the error of our decision-makers is excessive. Errors are endemic in human nature. The new Third World, which once made its errors with us, has not been penalised. This is, literally, an Act of Providence, not only one of brilliant timing and skill of oil producers. Because it is an Act of Providence, its beneficiaries must carry the obligations of Divine compassion. We in India, because Providence has now given us the success called 'Bombay High', may be better able to receive or withstand the judgement on our mistakes or other failings: but other countries are less fortunate. How, except with the compassion of those whose generously can mean deliverance, do they get their second chance?

Compassion is not charity: it is an essential ingredient in the sharing of human dignity or, more cynically, our common heritage in human bondage. Very few compassionate approaches can be viable in the economic sense: but, equally, it is not possible to describe many viable enterprises with an appropriate social justice content. We are thus back at the theme of our first International Seminar—"Economic Growth and Social Justice". Both Wealth and Welfare are conditions of any integrated pattern of development in this, the last quarter of the twentieth century. Curiously, although this century is predominantly the Century of Welfare, there exists now a paradoxical love-hate relationship between Growth and Welfare. In the International Community the resistance to welfare expenditures in developing countries has recently grown and new line of division is in danger of arising. Countries like our own, which have not, for one reason or another, been able to develop an effective growth machine are also condemned to cut off some essential welfare. But when calamity strikes, as it does every year — in Biafra, the Sahel, Ethiopia, Bangladesh or when rains fail over all our drought-prone areas — bare survival surpasses all other ends. We do recognise the imperative need of population control and we must be ruthless in its propagation; even with moderate population growth, adequate social justice is just not possible with real growth of less than six per cent per year. In India at least we will have to invent new tools, particularly in agriculture, to bring this about. But may we not also say that when the international community's actions reduce our rate of growth by about two to three per cent per year, the community of mankind morally inherits that degree of responsibility for the suffering inflicted wantonly in each nation state on its lowest income brackets?

We are all naturally agape at the OPEC countries' annual surplus of over $60 billion. I hesitate to talk in the same breath of a mere billion dollars: but it is small sums like these which represent the difference between hope and despair. There is some magic, curiously repetitive, in the figure of one billion dollars. This represents, fairly accurately, the rate at which India's balance of trade will run in 1974-75 and probably subsequent years, unless Providence has quite unexpected favours to bestow. It also represents the annual aid which India receives via the Aid-India Consortium or otherwise. Thus, neatly, all our aid is exactly siphoned off to overcome an adverse balance of trade, the result, primarily, of the rise in price of imported oil, though food and fertilisers are now also riding high. To restore the *status quo ante* as of September 1973, we will now need another billion dollars. But that is not enough for India's poor. Inflation has doubled the cost of relief of the severely destitute as I calculate now the need to abolish severe destitution by doles or otherwise is — you must have guessed already — one billion

Eastern Economist 30 Years Ago

FEB. 2, 1945

The acute coal situation seems to have at long last roused the government to some realization of their responsibility. The Mines Welfare Advisory Committee, set up under the Coal Mines Labour Welfere Fund Ordinance, recently recommended the undertaking of certain welfare measures. The Committee unanimously recommended that provision be made for an Anti-Malaria Scheme for 1945-46, with a recurring expenditure of Rs 7 lakhs and a non-recurring expenditure of Rs 3 lakhs. It was felt that responsibility for such measures in the outlying areas would be beyond the financial resources of the Fund and the Provincial governments should be asked to assist in the task in their respective areas. The committee also approved the provision for the construction of two regional hospitals in the Jharia coal-fields at an estimated capital cost of Rs 3 lakhs and two hospitals for the Raniganj coal-fields at an estimated cost of Rs 1,54,000. Part grant of Rs 3 lakhs each towards the capital cost of Central hospitals in Jharia and Raniganj was approved. Provision was also made for propaganda measures and for growing vegetables. Token grants for a water-supply scheme costing Rs 5 lakhs and a housing scheme costing Rs 10 lakhs were also made. This represents a welcome step forward. But the scrutiny of these items of welfare work seems to show that the committee lays all the emphasis on cure. Prevention measures have rather suffered a neglect.

ollars. There are no vulgar fractions, ne billion dollars is the value of our dverse trade balance, the external rice of a return to normalcy in real rowth, the price in rupees of the abolition of severe destitution. We borrow a illion dollars: we remit abroad a billion lollars. In an operation so neatly balanced in external payments, there is no residue left to touch the substance of the tragedy that lies within. And with current inflationary pressures, we dare not create the currency which can overcome destitution. Nor, with lower capital formation, can real growth be advanced to finance the welfare bill. Where do we go from here?

We hope this seminar will help us wit directional guides by which we ma restore to ourselves the self-reliance tha we have now lost seemingly everywhere Obviously this can only be in partnershi with our friends: I had almost said tha with them it might even be better to trave hopefully than to arrive.

Oil prices in perspective : an Iranian view

Ahmed Kouross
Deputy Minister, Economy, Government of Iran

LET US go back to the last decade—the period from 1960 to 1970. For the majority of the industrialised countries it was a memorable time. It seemed as if in their own demain the industrial countries had found basic solutions to problems of cyclical crises, unemployment, poverty and stagnation.

During this period most of the industrial countries attained sustained growth under conditions of manageable inflation. The growth rate for them was about 4.8 per cent per year in real terms, while the rate of inflation was 3.4 per cent per annum.

By and large, the situation in the industrial world was stable although imbalances existed. In this decade some countries resorted to devaluation of their currencies in partial default of their international obligations while other countries continued to pile up immense surpluses in their external payments. It was under such conditions that the terms of trade continued to deteriorate against the developing countries who were predominantly primary commodity exporting economies.

inexpensive resources

Let me elaborate further on this point. The industrial countries managed to assemble inexpensive resources in the form of cheap energy and other raw materials as well as cheap imported labour in their own backyard in order to produce finished commodities for export at highest possible price. The question was no longer one of maintaining full employment but rather attaining heightening growth rates with no regard to inflationary forces which lurked behind their expansionist policies.

The process led to over-consumption, social tensions and permissiveness. To face the situation many governments in industrial countries introduced welfare programmes beyond the limits which their own national resources, under fair terms of international trade, could afford.

As the present decade unfolded, the economies of the industrial nations were characterised by inappropriately high rates of growth combined with high rates of inflation. According to a very recent report by the International Monetary Fund, the combined rate of growth of 14 industrial countries in 1972 was six per cent in real terms and in the first half of 1973 was over eight per cent.

exporting inflation

I stress at the risk of repeating myself that these countries achieved such rates of growth in real terms at a time when they were running inflation rates of about 14 per cent in 1974, seven per cent in 1973 and five per cent in 1972, which meant that they were shifting the burden of their inflation to the developing countries through an increase in their export unit values. According to the same report, the average annual rate of the export unit values of the industrial countries rose from 1.6 per cent during the decade of 1960-70 to 10 per cent in 1973 and accelerating to 27 per cent in 1974.

In this context, my Minister, H.E. Mr. Hushang Ansary, has already explained very aptly in his speech at the IBRD-IMF 1974 annual meeting in Washington the factors which contributed to form the high rate of inflation in the industrial countries. He said:

> "*First*, the loss of confidence within the international community since August 1971 in the stability of the world monetary system; *second*, the introduction of floating exchange rates which helped resolve some of the capital flow problems but made it difficult for the developing nations to estimat the ultimate cost of their developmen projects; *third*, the unusually high rat of economic growth in the industria countries in 1972 and 1973 whicl strained the economies of these countries and brought considerable pressure on the world's natural resources *fourth*, unfavourable climatic conditions which adversely affected th world food and feedstock supply, an heavy speculation and unusually hig stockpiling of commodities by som countries which aggravated the situation; and *fifth*, manipulations by majo international firms, which seriousl affected the prices as well as the supplies of industrial raw materials an manufactured products."

Thus, the industrial countries experienced a formidable rate of growth o income but with a high rate of inflation In its wake, the flow of their official assistance had dwindled. The real income o each citizen of the industrial countrie had increased by almost 50 per cent i 1973 over and above 1963 level. Durin the same period the real value of officia development assistance from DA member countries decreased by abou seven per cent, according to the 197 development assistance committee repor

price adjustment

It was against this background that th oil producing countries, the owners o one of the most noble commodities whos price is to be set, not by its cost of production but in terms of the cost of it alternatives and the real value of it derivatives, adjusted the price of oil i 1973 in order to compensate for th disruptive forces of international inflation and adverse terms of trade.

Much has been said about the impac of the increase in the price of oil an inflation and the balance of payments. Let figures speak for themselves. According to a published report by the OECD, the contribution of the change in the price of oil to the rates of inflation of industrial countries was no more than 1.5 per cent in 1974 against an overall rate of inflation of about 14 per cent as reflected in their consumer price index. I surmise that the relative weight for all other countries has been much less.

Let me now turn to the balance of payments difficulties. It is estimated that the change in the deficit on current account of the balance of payments of the developing countries between 1973 and 1975 will be $ 21 billion of which $6.8 billion constitute the oil component. The Imperial Government of Iran's bilateral and multilateral commitments to the developing countries, thus far, approximate the said estimate. As for the developed countries whose extra oil import bill from 1973 to 1975 approaches $49 billion much has been done, including recycling and the revaluation of gold. I shall revert to these issues later on in the context of the international monetary system. But I find it appropriate to discuss with you the Imperial Government of Iran's initiatives and actions on channelling resources to the developing countries.

international fund

As far back as in February 1974, His Imperial Majesty the Shahanshah of Iran proposed the establishment of new, neutral international fund, based, for the first time in the history of international aid, on important new features. The fund, to be established with equal contributions by the OPEC members and industrial countries, is to have a board of governors initially consisting of 12 of the OPEC members, 12 from the industrial countries and 12 from among the recipients. The representatives of the recipients will have equal voice in deciding how the fuad's resources are to be used. Of the fund's initial outlay of US $ 3,000 million Iran has already pledged a contribution of US $ 150 million a part of which was in last September advanced to the UN Emergency Fund. I am happy to report that recently in their meeting in New York the finance ministers of the Group of 24 have expressed their full support of this fund.

In the very short period, Iran's commitment thus far has amounted to $ 9000 million in the form of bilateral as well as multilateral assistance. This amounts to over 10 per cent of our GNP for the three years remaining period of our Fifth Development Plan. Of this amount almost $ 5000 million has been committed to the developing countries. Iran's assistance to the developing countries has come in many forms. Where a developing country has experienced balance of payments difficulties for payments on oil imports the Iranian assistance has come in the form of deferred payments on oil purchases. But looking further, Iran has also offered loans on concessionary terms to enable the developing countries set up vital industries, especially plants for chemical fertilizers which lead directly to an increase in food production. In other ways, Iran has gone into joint ventures financing foreign exchange cost of projects in the friendly countries, utilising their excess productive capacities and developing their natural resources.

the basic philosophy

The foreign assistance programme of Iran has benefited the industrial countries as well. In some cases Iran has placed cash deposits in the central bank of a developed country while in other cases it has made advanced payments on future imports and also lending to public corporations of such countries. The philosophy behind Iran's assistance to the developed countries is to enable them see through the period of adjustment during which they have the opportunity to reform their economies to adjust to the new world order.

Now I wish to move on to the domain of the international monetary system. It was not too long ago that the efficacy of a monetary system, which prevailed over the horizon of international economic relations for three decades, was questioned in the setting of disillusionment and disarray. The asymmetrical fibre of the Bretton Woods system was, in fact, supplanted by those who previously considered it profanity to even cast doubt on the sanctity of the defunct system. As soon as the fixed exchange rate system ceased to function properly for the industrial countries, it was considered inappropriate.

The suspension of dollar convertibility in August 1971, the partial establishment of the central rate system in place of the par value system in December 1971, the forced realignment of February and March 1973 and the formation of the snake in the tunnel in 1973 were all symptoms of disturbances which originated in the economies of the industrial countries. From early 1973 when generalized floating began and a new exchange rate system among the industrial countries became more suitable—to December 16, 1974, major currencies oscillated unevenly against the dollar. Obviously, what was experienced in the industrial countries rendered the prevailing exchange rate system even more precarious. The desire to float exchange rates was a lineal descendant of their ambitious employment and output aims which was incongruous with their external positions. Ultimately, the economies which were jeopardized were those of the developing ones that had endeavoured to reconstruct anew their economies.

Now, the tide has subsided. The gold has been, to a large extent, demonetized and a unit of the Special Drawing Rights is divorced of gold. Different currencies are to be close to their equilibrium rates and international economic life can continue its previous sustainable course. But, it has to be emphasized that the new price of gold should not contribute to expansion of the present level of international liquidity. Should the new price of gold expand liquidity in international markets, the continuation of the present inflationary trend must not escape our notice.

restoring normalcy

Thus, the industrial countries must bring their inflation to tolerable rate, and relax their mercantalist barriers for all countries so that normalcy could be restored in the exchange market. In sum, what precipitated the present global crisis were the unmanageable growth rates in the industrial countries accompanied with inflation, unpredictable exchange rate fluctuations and unwarranted liquidity expansion. What we need today is a dialogue in the world and I am certain it will be provided by this forum, the Second International Seminar of Economic Journalists.

I would like to turn to the distinguished journalists who had the tolerance to bear with me throughout this discourse. I have deep faith in their devotion to fair reporting and responsible journalism. Obviously, divergent views inevitably arise when reporting progresses to interpretation. This is the essence of intellectual life. What I would like to stress in conclusion of my remarks is that the role the media have to play in combining reporting with news analysis is of vital importance to a meeting of minds between the traditionally industrial and the developing nations and indeed among all of us. After all, we have a valid case to present.

How real is the energy crisis?

K. D. Malaviya

s THERE really an energy crisis? I personally feel negatively. I think that we re more a victim of fear complex than nything else in calling the present risis an energy crisis. But unfortunately e have been led to believe like this for ome time. It has been conveyed to us by the ost eminent economists and oil experts oth from the governmental side as well s by the international economists in oil. n alarming picture was being given to s in the last two or three decades with egard to the total reserves that would be vailable for the peoples of the world for heir survival. I must admit that at a oint of time several years ago I was a ictim of this belief, which was dinned nto our ears by most economists of certain countries and also experts of certain nternational monopolists and international ompanies, that there was an imminent anger of a crisis in the near future. t was in that background that the people ave been led to believe that the present risis is the oil crisis. I think we may in his conference like to review this aspect.

ack of purchasing power

Even for a country like India, it is not n oil crisis because next door we have il available, but we cannot purchase hat oil. Therefore, in its totality, it is ot the oil crisis but the crisis of balance f payment. If we had the money to urchase, I would not call this difficulty a crisis. All over the world, I ersonally feel, it is a question of balance f payment and this balance of payment s likely to stay in our society if the resent system continues.

A crisis had to come either on account f domestic feuds or oil or national onfrontations whatever you may like to all it; a crisis was imminent before us for ome time. I think this crisis is leading us to a situation where there will be an nevitability of a breakdown of the present conomic system, which has involved almost he whole of the world including the socialist world although they are the least sufferers of the oil crisis that confronts us all. But the economic system that has involved us all cannot stay as it is because of the continuous development of a situation which was deliberately or without any deliberation emerging. I refer to a global disparity amongst us, where some countries were enabled to live and survive at the cost of others.

It is not only the price of oil but it is the economic price or a reasonable price of several commodities, which you call the basic commodities, on which stands the present prosperity of the world. There was an imbalance in the raw material and the finished products and it had been coming to us almost since World War II started or even before that. Slowly, a disparity between the prices of raw materials and finished products was growing. In between came the technology which was perhaps being conceived in a very major way without the concept of social justice.

The international aspect of social justice was being ignored. If iron ore was exported from a country which imported finished goods involving high technology the different between the prices was out of proportion to the skilled labour involved in finishing the products. I refer in this context the price of oil. The fertilizer made out of downstream industrial complexes could fetch far more price than the cost of production warrated.

growing disparity

What I am trying to make out is that there was disparity in the economic price of the raw material and that of the finished goods. Crude oil was no exception to it.

I may, therefore, suggest that we might consider in this forum whether time has come or not for us to raise our voice, to bring sanity in the thinking and action which is not the fault of any individual country but it is the system that must be modified.

Let us come to my own country which will illustrate the situation as I see it. Upto the year 1961 or 1962, our crude oil import bill was round about 100 crore rupees. Now it is about 13 times. Since 1972 it has certainly shot up to more than 10 times or 11 times. Obviously we will find it very difficult to keep our balance of payment within our control. Then starts the exercise of raising the prices of other commodities which we could export and which could bring us more foreign exchange. This adds feul to the fire of inflation with worldwide repercussions.

equitable distribution

Then we come to the question of surplus being created in the oil-rich countries and its disposal. As far as I remember, an international seminar was held in Iraq some time back and the Petroleum minister of Iraq did say that Iraq believed in avoiding monetary surpluses which involved dangers equal to the dangers posed by meagre financial resources. He was frank enough to say that no country should corner the surpluses; they have to be distributed in a manner which ultimately satisfies the inspirations of the peace-loving people. He has said that the policy of Iraq is to distribute the surplus in such a manner that the backward countries which have so far lacked these amenities get it.

I also feel that if, in order to draw that surplus from the oil-producing countries, we dump articles of luxury in that country or we undertake an industry in that country which does not fit into that pattern just now, it becomes a doubtful proposition. These resources should never be cornered for the selfish use of a group of people. Also resources should be utilised in useful schemes. The inevitable conclusion is that those who have been suffering so long should be given an opportunity to improve their lot.

We have just got out of a war in south-east Asia, thanks to the wisdom of those who are trying to bring a situation of normalcy. Whether normalcy will be restored there or not, I do not know because, the other day, again there was the threat of bombing. I do not want to go into that controversy, but what I am trying to make out is that, if we try to suppress a situation in a manner that does harm or is not understandable to the people who have suffered so far, we are not likely to gain from that suppression. There are certain tendencies which have also to be noted. For instance, Japanese were the worst sufferers among the highly developed nations. They depended almost cent per cent on their imports of oil. The European countries also massively depended on the import of petroleum products from the African and Arabian countries. The import bill of the USA is the highest because their consumption per capita is very high. The consumption pattern has become so erratic in most affluent states that it is necessary for them to think in terms of normalcy.

energy conservation

Then comes the question of conservation. It is for these and other advanced nations to think how far the principles of conservation have to be applied rigorously in order to put down consumption of energy in their countries, whether it is gas or oil or coal. It is not because the reserves are dangerously depleting. The reserves are becoming more and more. There are more reserves known to us now than what was ever known. The crisis is really of making ourselves able to pay for what we need for our survival. If countries like India are forced to bring down their [consumption to a most unimaginable level, tensions will grow; disharmony will grow; and no government, no sane group of people, will be able to control the situation.

The rise in prices is not irrelevantly conceived of: in my opinion, there is a philosophy behind it; there is an orderly way of thinking behind it. May be, it does not suit most of the countries which have so far benefited by it. We are also suffering from it, and our suffering, because of the rise in prices, is more intense than the suffering elsewhere. Most of our difficulties in this country, social, political and economic, are on account of the basic fact that we have to pay through our nose for certain commodities, mostly fuel. I would, therefore, plead that re-thinking should be done not only by the countries who are suffering from it but also by the countries who are prosperous and affluent and who have to find a solution which is acceptable to all the three segments of our population on the globe—one, that is affluent, the second, those who are not affluent but are getting affluent out of all proportions because of the oil that they possess, and the third, the developing countries which have so far not got oil.

Indian effort

Coming back to our own situation, India has its own national organisation to search for oil and to develop oil for the use of society. We started our activities in a very moderate way with the help of Soviet experts and by and by we have built up an organisation of our own. This organisation has produced more oil in seven to eight years' time than what the foreign oil companies have been producing. You know, how costly oil-search is. We are investing money on long-term project As a result of our hard and patient effort we have been able to have a happy discovery in off-shore areas.

attempt at self-sufficiency

India might increase its on-shore o production from the present seven milli tonnes—both private and public sector— to almost double this quantity in the ne five or six years' time. On-shore w could, perhaps, produce six to seve million tonnes more than what we ar producing today if we get the require equipment. The same quantity of o could be made available to us in th next six years' time from off-shore als so that it is quite possible that we ma get about 30 million tonnes of oil by th end of this decade or the beginning of th next—in 1981 or 1982. Surely we fe that we can become self-sufficient if th consumption at that time does not excee 30 million tonnes of oil. So, it is a ver happy situation which faces us so far energy is concerned. But these six yea are going to be difficult years.

We must have fertilizers for our farm Now fertilizer has become too costly. is beyond our reach. It is beyond th reach of those countries which have n food to feed their people. It means th demand for fertilizer will go down and i production also will be reduced.

It is high time that sanity returned to th countries of the world and they made a effort at arriving at a consensus whic would be acceptable to us all with a view t avoiding real confrontation, which woul be catastrophic for the entire world.

Planning for energy

K. C. Pant

One of the features which distinguishes the developing countries from the developed countries is the wide difference in the per capita consumption of energy. Whereas the developed countries consume large quantities of energy per capita, the developing countries have a very low per capita energy availability. This is despite the fact that the economic development which has taken place in the developing countries has resulted in the per capita energy consumption increasing at a rate which has been generally higher than the corresponding rate of growth in the developed countries. The commercial energy consumption in the developing countries has increased even faster than the rate of total energy consumption, because of the subsitution of non-commercial forms of energy by commercial forms. In the future, if economic growth at a satisfactory rate is to be attained in the developing countries, the growth of energy consumption must continue to increase rapidly, and commercial forms of energy must gradually become the main form of energy use.

When we refer to an oil crisis, we are really talking about the very sharp increase in the cost of imported oil during the last year or so. It is this increase whic has in various ways affected the develope as well as the developing countries an has been the cause of some amount c criticism by the developed countries. However, viewed in the historical perspectiv it is apparent that the oil-exporting nations have lost heavily in the past due to deliberate underpricing of oil. This polic of underpricing oil as a source of energ also led to its use growing at a very rapi rate. Not all the consumption of oil wa strictly essential. The known reserves c oil in the world being limited, the virtual unchecked growth in its consumption wa uite contrary to the need for conservation nd optimisation in the use of different orms of energy. It is well known that, in any countries, the development of other orms of energy was virtually neglected ecause of the availability of cheap oil rom foreign sources. Considered in this ght, the so-called oil crisis has really served to further the interests of conservation nd has also given a fillip to appropriate ttention being paid to the development of alternative sources of energy.

In the short term, however, this sharp ncrease in the cost of energy provided by oil has serious implications for the oil-importing developing countries. A balance of payments constraint has developed and in some cases this casts a serious limitation of the ability of such countries to even maintain their existing level of oil consumption. Many of the developed countries have reacted to this price increase by raising the prices of manufactured and capital goods which are also imported by some of the developing countries, and this has further created difficulties for them. The fact of the matter is that, whereas the developed countries have considerable scope for reducing their consumption of oil, such a cushion does not exist in the oil-importing developing countries. Nevertheless, in India, an attempt has been made to curtail the use of some petroleum products by a sharp increase in the price. Thus, consumption of petrol has fallen by 25 per cent. We are also attempting to substitute other forms of energy in place of oil. Since coal is available in a fair degree of abundance, it makes good sense to think of replacing oil, wherever it is technologically and economically feasible, by coal. However, such opportunities do not exist in all the developing countries. In addition, there would be certain uses for which substitution would not be possible and, therefore, a minimum demand for oil would always exist. The energy planning in the developing countries would have to take note of this and consider how best to meet this requirement.

Some of the energy requirements can, in the future, be met by exploring and developing the non-traditional forms of energy. In the developing countries, particularly in the tropical latitudes, solar energy can be very usefully utilised for irrigation pumping which, in the years to come, would be a major consumer of energy. Solar energy and wind power can meet the energy needs in hilly and remote areas where it would be very costly to provide electrical power. In certain parts of the world, there would be possibility of developing geo-thermal energy. These are subjects which still require considerable research and development, if commercially viable solutions to the technical problems being faced are to be found.

An accelerated programme for the exploration of oil deposits is another alternative open to some of the developing countries, though here again all the developing countries are not placed in an equally favourable position. The problem, however, is that oil exploration is extremely capital intensive, and has a high risk element. Careful thought has, therefore, to be given on the extent of investments to be made in this area of activity, in countries where capital is scarce and has a high opportunity cost.

In fact, one of the major problems which is likely to face the developing countries in the future is the highly capital intensive nature of all energy production. The establishment of power stations, development of coal mines, building the necessary transportation infrastructure, exploration for oil and its subsequent production and refining, all call for very heavy initial capital investment. Therefore, if the developing countries are to continue to meet the growing energy needs in the future, a very serious limitation may arise in their ability to finance the necessary investments required for this purpose. Even in those developing countries, where the natural resources exist for producing energy, the limitation of capital may still considerably handicap the efforts to meet their growing needs.

Problems of resources and social justice

Dr. K.B. Lall

WHEN THE first United Nations Conference on Trade and Development met in Geneva it had been estimated that if 2/3rd of the world population is to achieve minimum rate of economic growth at 5 per cent per annum, the developing countries must be enabled to import by 1970 approximately 20 billion dollars worth of essential inputs, in addition to what they would be able to buy for their day-to-day needs with their traditional export income. In making this computation it had been assumed that the terms of trade for their export products would not deteriorate.

The UNCTAD viewed a modest build-up of the import capacity of developing nations as essential to their economic progress and as vital to global growth. To this end three principal policy directives had been agreed upon:

First to secure at least some modest improvement of trade for commodities exported by developing countries.

Second to promote processing and manufacturing industry in developing countries and to provide access for their processed and manufactured goods to the markets of advanced nations, and

Third to facilitate transfer of financial resources to developing countries on concessionary terms.

Looking at the progress of the developmental process at the beginning of 1973, we could have noticed some improvement in foreign exchange receipts of some developing countries through the export of their manufactured goods. You must also have noticed some improvement in the transfer of financial resources too, although in relative terms there had, in fact, been a decline. The terms of trade for some developing countries had also improved marginally. But the deterioration in the case of some other countries was sufficient to wipe out their gains from financial transfers. For developing countries as a whole the build-up in import capacity fell far short of the target of 20 billion dollars.

The upheaval in import costs which gathered momentum since has brought about a dramatic alteration in the premises on which the target was based and in the prospects of different developing countries for acquiring the import_capacity so vital to their growth needs. The price of wheat has trebled. So has the cost of fertilizers. The price of petroleum has quadrupled. There has been a hundred per cent escalation in the cost of capital goods, of technical know-how and of some chemicals. If you view the prospects from the angle of developing countries which do not export petroleum, while you may notice a significant but perhaps a temporary boom in prices of such items as rubber, phosphates and non-ferrous metals you will find that the increase in the export prices for tea, iron ore, manganese ore, jute, cotton and simpler manufactures have been either insignificant or very low indeed.

unusual characteristics

This extraordinary upheaval in import costs of items indispensable for development of developing countries has been marked by some, very unusual, distinguishing characteristics; first, the upheaval was largely unforeseen; second, its intensity was concentrated in a period of 12 months; third, in some cases, it was very abrupt; fourth, it covered a wide spectrum of commodities and products essential to growth. The range of movement, however, was not broad enough, and the price behaviour was too uneven and erratic to provide compensating export incomes to a majority of developing countries.

The cumulative impact of these unusual characteristics has caused sudden, violent, and widely divergent shifts in the economic circumstances and prospects of different nations, both developed and developing and in their respective export gains and import burdens. If we wish to persevere with our global objectives of growth and social justice, national production structures, commercial and financial flows and some current concepts of international economic policy will need to be adapted to the change in economic environment. In our search for the required adaptations, let us first measure the impact of this crisis — this sea-change in environment — on the import capacity of the developing world.

It is a matter for gratification that the impact on the import capacity of the 13 developing petroleum exporting countries has been altogether fortunate and happy. In fact, we now have, within the developing world, "financial oases", which overflow with life-giving waters of petromoney. Their "resource gaps" have been converted into "resource reservoirs" These countries have now the capacity to buy all they need to fulfil their aspirations of rapid progress and growth. They have also acquired a new capacity to impart growth impulses, not only to the rest of the developing world, but also to some parts of the developed world. We must all rejoice that this is so.

Eight other developing countries have been able to achieve a significant improvement in their terms of trade, sufficient to win from their export earnings the resources of a modest rate of growth in their economies. A few more have made marginal gains, which could enable them to bring about a balanced adjustment between their import expenditures and their export earnings. It, however, remains to be seen whether the gain in the import capacity of these countries will endure.

In the case of the remaining developing countries, accounting for over a billion people, the deterioration in import capacity has been so sharp, so steep, and so calamitous that they face the grim prospect of a negative rate of growth. Not only developmental, but also maintenance imports, are beyond their reach. Should the International Community fail to undo the damage to their import capacity and should the effort currently under way to maintain it unimpaired at the low level obtaining prior to the upheaval in costs and prices not succeed, we should bid goodbye to all notions of global growth. For we will have brought into being, on our planet, a vast populous depressed area capable of transmitting to the centres of power and affluence, both new and old, only negative impulses of depression, discontent and disorder.

ironic situation

There is yet another irony in this ironic situation. Of the developing countries which have been hit hard by the upheaval in prices, such low income countries as India which have been struggling, not too unsuccessfully, to develop their inherent capacity to grow and even to transmit growth impulses to other developing countries, have been hit even harder.

The sudden erosion in the purchasing power of our export income has accentuated our difficulties in sustaining the capabilities we have built up and threatens to smother our endeavour to optimise our potential. In addition, the erratic changes that have occurred in the *inter se* relationship between the prices at which different goods are internationally traded imposes on us a very expensive task of adjustment to the emerging environment.

No nation or no group of nations can in my view be legitimately accused of bringing about this deplorable state of affairs, consciously and deliberately. I say so because in this interdependent world there is none that can hope to thrive on the misery of other nations or could even remain unscathed from its consequences. On the contrary, the nations which have recently derived monetary benefit from price escalation and also the nations which have for years made multiple gains from the current economic system also face a new set of difficult problems.

Let us first direct our gaze towards those who are generally regarded as having come into wealth suddenly. Are they not asking themselves the question, what does this wealth consist of? What is the real value to them of the IOUs which are flowing into their coffers? How their monetary gains can be protected from gradual erosion? How can their wealth be deployed so wisely as to provide for its owner sources of enduring income which are not as finite as petroleum? Should they fa to find satisfactory answers to those questions in cooperation with other member of the international community, woul not those whose fingers are at the lever of power, economic and political, succee in rendering the gains of petroleum exporting countries temporary or nugatory?

Unilateral action by OPEC alone wil not rid its member states of their problems. They may have difficulty i protecting their recent gains without th political support of the developing world They may find it easier to deploy the newly gained riches to their enduring advantage if they succeed in enlistin the enthusiastic cooperation of thos nations which have complementary resources in men and materials and if the manage to secure satisfactory terms fro the industrial nations for the supply development goods, technological skil and managerial expertise.

present condition

Let us look a little more closely into th present condition of the advanced natio who have for many long years held a virtual monopoly of financial, industria scientific and political power. Not a da passes in Brussels when I do not hear depressing tales of woe or read about soaring prices, tumbling stock-values, risin unemployment, and falling productio Their statesmen, their administrator their economists, and above all the financial writers are raising basic issu and are asking of one another pertine questions about themselves, about th future of their nations. As for instanc and I quote "Is our prosperity, our pr ss, our power founded on quick-sands? t at all possible to find within our geophic confines substitutes for all the nmodities on which our affluence dends? If not, should we not secure arantees for free access to these unostitutable commodities? How can secure guarantees without conced- something of like value to the deoping countries".

Yet another set of questions relates to ices. I quote again "Can we afford to y the high price now expected for the ergy which fuels our productive strucre, which heats our homes, and which ives our motor-cars? Will the prices other primary products that we need o rise? If so, how shall we foot the ll for the commodities we import and nsume." According to current text oks, this should not be difficult, provid the value and volume of the exports n be raised correspondingly. But the oviso chalks up yet another series of estion marks. The import needs of troleum exporting countries for tradinal exports from industrial countries y not be too large. Their emerging eds for more sophisticated equipment y outstrip the capacity of industrial tions to meet them. At the same time, ports to MSACs (most seriously affected untries) will decline *pari passu* with decline in their import capacity. Some the industrial nations may feel obliged the size of their payment deficits to imse significant cuts even on their mutual de. In short, if these unfavourable facs combine to cause export incomes to gnate and imports to decline, the level economic activity may begin to recede, en in the centres of great industrial pross.

centuated fears

The threat which a minority of thinking sons in industrial nations see to the very vival of the west accentuates the fears ich petroleum producers entertain in ard to the permanence or reality of ir gains. In this context, the view is vanced in some quarters that if the new old owners of money enter into a nstructive dialogue, all will be well h both groups of nations. It is argued t if new funds are deposited in well own banks, if these are used for the crean of some industrial complexes in new as, and if the frontiers of the Affluent iety are extended to include a few more ions, the old order could still survive, h minor modifications and limited exsions of its technological benefits.

The scarcities of technological skills, the inflation in the price charged by those who possess them, the physical and psychological limitations of the work force, and the paucity of human and material resources are much too well known to be ignored. Their cumulative impact will spell the doom of a limited approach and ensure the failure of a limited enterprise.

The crisis in development is of truly global dimensions. All of us — without exception — suffer from the current crisis, in one way or another because we have denied far too long the fundamental unity of mankind and the essential diversity of their situation. If I may quote from Gandhiji's prophetic words, he said: "The earth has enough for everybody's needs, but not for everybody's greed". If great national leaders feel able to give up their petty wrangling and allow themselves to be led by their nobler instincts, the dawn may yet break, in the coming months of 1975. I believe my expectations that the first year of the last quarter of twentieth century will witness the beginnings of a new bold enterprise are not altogether ill-founded.

community's interest

In the famous "Fresco" of Community Action, conceived by Mr. Claude Cheysson (Commissioner for Development, Economic Community), the European Commission has set out the main guideline, in the following words. I quote: "To each according to his needs, by all our means". And, in this very city, the capital seat of a country where nearly 60% of the most seriously affected population lives, the Hon'ble Henry Kissinger, Secretary of the State of the United States of America, confessed to the Indian Council of World Affairs, on October 28, 1974, that "no action can impose its narrow interests without tearing the fabric of international cooperation." He went on to urge that "piecemeal solutions offer no hope, a global enterprise is imperative".

And to this capital city, many distinguished dignatories from petroleum exporting countries have come, of their own accord and free will, exploring avenues for combining fruitfully their money power and their horse-power with the manpower, the skills and the endowment of some of the hardest hit countries. They and others of their kind have already set up mechanisms to invest a part of their funds in the development of developing countries and yet another part in promising ventures in the developed world.

Mr Kissinger has clearly perceived, if I may again quote from his Address that "this is not a conventional diplomatic problem which can be dealt with by conventional diplomacy or on the basis of conventional premises of social and economic theory. Did we not err when we believed that the economic order evolved at Brethon Woods and Torquay-Annecey had in it the means for the progress and prosperity for all the peoples of the world? Did we not then forget that all countries in the world did not have, when we embarked on the third quarter of the current century, a homogenous economic and social structure? Do we not all suffer today because the mechanisms that we created sought to apply common rules and principles to situations which were essentially diverse and divergent? This is a mistake which I feel we must now take very great care to avoid.

Here is another set of questions for you to ponder over. Have we not over the last twenty-five years attached disproportionate importance to possession of money, to ownership of financial resources? I remember when I was doing the rounds in western Europe in the 60s seeking financial resources to develop our natural endowments, I was told by a famous Finance minister that money does not grow on trees". What shall we now say when money is being pumped out of the bowels of the earth, from underneath the desert sands?

glib arguments

Perhaps this makes it necessary for us to reflect on the conventional attitude of owners of capital. Have not some of them not glibly argued in the past that those who do not have money to buy what they need should tighten their belts and do without what they cannot buy? If we apply this conventional wisdom to the industrial countries which currently face seemingly unmanageable payment deficits, would their continued prosperity not be at stake? If we continue to apply the conventional attitude to the developing countries whose deficits have suffered a drastic deterioration, would we not put into a reverse gear their effort to develop their resources and to utilise their innate creative capacity? If this chain reaction is to be avoided, it is necessary to restore to "capital" its true function and to devise new ways for its transfer from those who have it to those who need it, so that all available capital is efficiently used, in the service of global growth and social justice.

Let me turn to yet another aspect of our conventional wisdom. You have already seen that terms of trade constitute a potent factor in determining the import capacity of a developing country. The processes which determine the content and contour of this factor require, in my view to be looked into with care. How are these terms of trade determined? I am told that this is a function of market forces. But who controls or directs these market forces? The experience of OPEC with the price of petroleum may perhaps throw some light.

In 1959, if I am not wrong, seven of the big multinational oil companies got together and decided to cut unilaterally the price they were paying for petroleum. Stunned by their high-handed decision, five big countries met in Baghdad and decided "to create an organisation for regular consultation and for the coordination of oil policies". For many years, OPEC continued to be dismissed by western diplomats and businessmen as a "quarrelling collection of Middle-Eastern camel sheikhdoms and Latin American banana republics". However, the march of decolonization led to a steady rise in OPEC's membership to include Algeria, Qatar and the United Arab Emirates. The swelling surge of nationalism enabled them to demand that control over their natural resources should be taken away from foreign companies. The emerging unity of the Group of 77 in UNCTAD and in the United Nations provided political support for their demand and strengthened their claim to a fair price. The non-aligned raised the banner for putting an end to the economic serfdom of poor nations that were politically free. While political pressures were being thus built up the improvident use of a finite resource by the industrial nations increased their dependence on the countries that owned it. Finally, a unique convergence of economic and political factors, globally as well as regionally, made it possibly for the petroleum exporting group of developing countries to demand and determine the value they thought fit to put on their natural resource.

search for the key

Thirteen developing countries now hold in their hands a key to the solution of their developmental problems but other countries have yet to discover such a key.

In using this key, the petroleum exporting countries, however, have repeated the error of applying a common solution to divergent economic situations. They have made no distinction between those who can offer to pay a high price and those who are too poor to pay it, between those who use a a scarce resource improvidently and those who need more of it for modest economic progress, between those who were managing to thwart their legitimate aspirations and those who were supporting them in their struggle. In consequence, the first dramatic success of developing countries in revaluing their natural resources has improved the financial position of some and worsened that of other developing countries. The consequential deterioration in the terms of trade of oil-importing developing countries has been so deep that the cumulative burdens on them now mount to staggering proportions.

This situation in the developing world has led interested quarters to put forward the argument that improvement in commodity prices is, *per se*, detrimental to the interest of developing countries as a whole. I submit that this argument is fallacious. We should not allow it to persuade the international community to weaken in its resolve to build up the import capacities of poor countries through improvement in their commodity prices. At the same time, we should actively seek remedies for neutralising the unintended side-effects on consuming developing countries of improvements in commodity pricing.

worrying aspect

In seeking these remedies it is necessary to bear in mind that the recent increase in the prices of some commodities have been partly due to inflationary pressures and monetary instability and the worrying aspect of the hike in petroleum prices is largely to be attributed to its abruptness and also to its isolation from an orderly movement aimed at betterment of the terms of trade, on a broad front, for developing countries as a whole. Since failure in this important field has so largely contributed to the current crisis, it is vital to ensure that no further time is lost in making a determined effort to succeed.

The global enterprise we have talked about earlier must urgently seek to devise ways and means to rebuild and improve as soon as possible the import capacity of the developing countries who have suffered deterioration in their terms of trade. I believe that if we all cooperate, this can be done in an orderly manner. I make bold to put forward some constructive solutions to this end.

First the effort should be undertaken simultaneously on a broad front.

Second the aim of the effort should be to secure a steady upward movement. A gradual rise in prices of commodities will make adjustment easier.

Third, the operation of market forces must be effectively contained, *inter alia*, through corrective intervention. The petroleum exporters have a unique opportunity. They could mitigate in some measure the unintended consequences of their action by devoting a part of their surpluses to strengthen the holding power of poor commodity producers. In this way they would be helping to weaken the hold of speculative capital on the market.

unique relationship

Fourth, in view of the crucial importance of maintaining and augmenting the real purchasing power of commodities exported by developing countries, a unique relationship should be established between the prices of their export products with the prices of their essential imports. Such indexation will serve as a monetary tool for securing a degree of evenness in price movements.

Fifth, the need for differentiated solutions to cater for varying supply and demand situations should be recognised. In the case of scarce commodities, while conservation measures will need to be adopted by affluent countries, a rise in share will need to be made available to the poor countries. In the case of commodities in the surplus situations, it will be necessary to stimulate demand and develop end-uses.

Sixth, a reverse GSP Scheme in respect of commodities exported by developing countries may prove to be a dependable device for securing differential results.

Seventh, where a reverse GSP Scheme is not found to be feasible, the importing developing countries should be protected against unintended side effects only through the delegation of historic prices to the historic volume of their essential imports.

It will take some time before the imbalance in terms of trade is rectified. Meanwhile, our global enterprise will have to adjust itself to other measures for rebuilding the shattered import capacity.

This is not a narrow interest of MSACs alone. I will try to show that the world as a whole will benefit from this exercise.

You are aware of the make-shift arrangements that were made over the last 12 months. These have kept the international system of trade and payments ticking. But the adverse effects are beginning to be felt in the economies of many nations, both developed and developing. The meetings which have recently concluded in Washington have fortunately taken some unorthodox decisions. The new mechanisms will enable the holders of petro-money to recycle their funds, so that the deficit countries pay for their imports on due dates. It is expected that these exercises will provide breathing time for the global enterprise to take off.

We must really look beyond recycling to the real problems and try to see how we can grapple with them. When I do this, I detect a silver lining in the overhanging clouds. I see in the developments which have taken place an opportunity for the international community to devote a portion of its global monetary resources to investment in adaptation of national productive structures and international trading patterns to the needs of tomorrow rather than those of yesterday.

not so frightening

Some are however frightened by the dimensions of the problems. If the amounts involved in international trade in petroleum are viewed in the world scale, the proportion will not appear to be too frightening. The net addition to the average cost of industrial products is only a small one. We are frightened because the addition takes place in the midst of rampant inflation. Let us hope that the attempts currently under way in the industrial nations to contain inflationary pressures will succeed.

The industrial nations are directing their present efforts to conserve energy, to find substitutes for petroleum and to restrain wasteful consumption. If their efforts succeed, I do not see any great difficulty in their being able to transfer a small portion of their output to meet the increased cost of petroleum and other raw materials.

There is no real threat to their standard of living or way of life. The increases in their productivity will take more than adequate care of the payments they are expected to make. I do nevertheless see some difficulty on the part of industrial nations in being able to produce all that the OPEC may need and be able to pay for. It will take time for them to adapt their productive structures to meet the sudden spurt in the demand for sophisticated equipments. In any case, the mental and physical constraints on their work force will determine the extent to which the demand for labour intensive products could be met from the production of industrial nations only. Fortunately, a reservoir of surplus skills and idle productive capacity is available in some of the industrialising countries. But it is necessary for this reservoir to be tapped and activated. Efforts to this end will be thrice blessed. First, the industrial nations will be able to adapt their productive structures on the basis of efficient resource utilisation; second, the OPEC buyers will be able to obtain their requirements on a more economical basis; and third, the industrialising countries will acquire additional purchase power to buy more of their needs from the industrial nations.

investing in their future

It is, of course, for those who have money to decide as to how they will use their monetary resources. I am sure they have plans for investing these resources in their own future. Even the investment on futuristic development within their own countries will take time to materialise. They will also have plans for profitable investments elsewhere. We have heard of various Funds having been set up to facilitate investment in developing countries. We have also heard of their plans to invest surplus resources—in real estate, in industrial stock and in government securities of the industrial nations. It is too early for the mind to be made up on the variety of choices that are clearly available. In making these choices national interest must obviously predominate. But the indirect effect of these choices on production and employment elsewhere is also an important factor to be taken into account. If the choices that spread the benefits of production and employment to many nations and large numbers of people are preferred, perhaps the national interest itself will be better served.

To sum up:

First, the crisis that faces the world originates in the failure to implement the provisions of the Development Strategy for Global Growth and Social Justice. In consequence, a diverging pattern of difficulties face the nations which have economic power, those which have money as also those which lack capital but have abundant resources in men and materials.

Second, we have made a fortunate discovery that the difficulties which face one group of nations provide a key to the solution of the difficulties that face other groups. This discovery enables us to think in terms of an interlocking Pr gramme of Action, transforming each s of difficulty into a key to unlock the loc ed doors that bar the path of the oth groups to programme.

Third, since the imbalance in terms trade lies at the root of the crisis, a ser ous effort should be urgently initiated t sectify it.

Fourth, new solutions are called for t deal with problems relating to use an supply of money, and to payment an financial transfers. These should includ provisions for adjustment of terms an conditions and procedures for the move ment of money from the area of surplu to the area of need to the differential re quirements of strong and weak economies

Fifth, the import capacity of the Mos Seriously Affected Countries must be mai tained without adding to their alread heavy debt burdens. It should be recog nized that while rich nations should mee their deficits through transfers of real re sources, the transfer of such resource from poor importers to affluent exporter ill accords with the new order.

case of weah economies

Sixth, the principle of compensation t neutralise the high import cost to wea economies must be accepted by all wel to-do exporting nations, irrespective o their socio-economic systems.

Seventh, national productive structure of both developed and developing count ries need to be adopted and built up t meet their mutual requirements and i particular those of nations whose natura resources are currently fuelling economi activity in different parts of the world.

Lastly, the emerging environment re quires national attitudes to productio and investment to be increasingly base on rational and efficient utilisation of th various production factors within the reac of different nations. To this end, th countries which lack capital must facil tate its inflow, and those that lack man power and natural resources must conce means to optimise their utilisation.

The might of the crisis that has ove taken us holds within it the rays of th dawn that may still break in the com ing months of this year. If that happen we can soon resume with greater hope th onward march towards Global Grow and succeed in securing Social Justice.

Pressures on the food economy

Jagjivan Ram

s YOU would, no doubt, be aware, ie world economic situation was lready difficult at the beginning of the eventies. The pressure of fast expanding emand, specially from the highly in-ustrialised countries, on the limited re-ources and the productive capacity of the orld had already been felt rather keenly nd set the economists, as also others, inking as to whether there were no limits o growth of the world economy and whe-ier the limited resources could not be onserved for the use of the generations to ome. The developing countries wondered hether and to what extent they ould develop their own economies and mprove the levels of living of their peoples, pecially the weaker sections, in the face f the growing pressure of population, in-bility to raise adequate resources for de-elopment from within, inadequate ac-ess to the world market, and the diminish-ng prospect of the advanced countries elping the developing ones, even to the mited extent of just about one per cent f their gross national products, the dec-ared aim of the so-called first Develop-ment Decade.

crop failures

The economic situation which had al-eady been deteriorating became worse in 1972 when the world witnessed an un-precedented phenomenon of simulta-neous crop failures in several sub-conti-nents including the USSR, China, India and South-East Asia, and worst of all, the Sehelian Africa. For the first time since the Second World War, world foodgrain production declined in absolute terms, by as much as 33 million tonnes. The severity of the emerging food problem could be easily appreciated if this decline is considered against the background of the fact that the world production of cereals alone has to increase by about 25 million tonnes per annum to meet the rising demand. Naturally, the world had to eat into its stocks which declined rapidly to precariously low levels. The world food situation became so serious as to bring the international community almost on the brink of disaster, the current consumption requirements having had to be met on virtually a month to month basis from current production, which had its own in-built uncertainties.

Not only this. The wide gulf between the demand for foodgrains and supplies from current production in 1972 led to such a sharp upturn in the prices of foodgrains as was never witnessed before. Even heavily surplus countries, such as the USA, experienced a steep rise in the retail prices of foodgrains and consequently of chemical fertilisers, etc.

pushed to the wall

In the race for commercial purchases of foodgrains and chemical fertilisers in the international markets, some of the developing countries such as India found themselves almost pushed aside due to their inabilito to pay high prices and to find foreign exchange needed for the purpose. The high prices paid for oil, foodgrains, fertilisers and pesticides, imported from other countries, far in excess of even the increased costs of production, has resulted in rapid impoverishment of India and other similarly placed countries, by the heavy transfer of resources to the richer countries, in this manner. The worldwide shortages of foodgrains thus affected the developing countries such as India more adversely than many others.

In India, there was a severe drought during the year 1972-73 and the foodgrain production fell by as much as eight million tonnes equivalent to the annual consumption requirements of nearly 50 million people. This, however, was only one side of the problem, which could be met to a great extent by drawing down the stocks built in the earlier years and such imports as could be arranged. The more important side of the problem related to the purchasing power in the hands of the people which also dwindled as the crops failed. The government had, therefore, to organise relief works and other relief operations on a massive scale at a very high cost. A sum of about Rs 4,000 million was released to state governments for drought relief operations during 1972-73 and 1973-74. The employment on various relief works touched a record level of 5.5 million persons in May 1973. Naturally, this entailed a sharp rise in expenditure from the public exchequer. Budgetary deficit increased and a sharp expansion in money supply became inescapable. In the result, the prices, specially of foodgrain and other essential commodities, took a sharp upturn adding to the difficulties of the people.

In the developing countries, such as India, where bulk of the consumption expenditure is accounted for by food items, food prices set the pace for the general price level. The best way to contain price inflation, therefore, is to bring about an improvement in the balance between demand for and supply of foodgrains and related essential items. We in this country, therefore, launched in 1973-74 a coordinated production effort involving extension of cultivation of high yielding varieties and arrangements for the supply of inputs such as quality seeds, fertilisers and pesticides, provision of institutional credit, etc. We did achieve a measure of success in this inasmuch as the production of foodgrains increased during 1973-74 by 6½ million tonnes despite adverse weather conditions during the winter season.

world output

The world output of foodgrains too registered an increase of four per cent or so in 1973. In view of this, and the experience of 1972 which reminded the world of the critical dependence of agriculture on the behaviour of weather, it was expected that serious efforts would continue to be made worldwide, and in the developing countries in particular for bringing about sustained increases in production and stocks of foodgrains so as to keep the people on the safer side of the starvation line.

Meanwhile the drastic change that had come about in the structure of prices of oil and even more of oil-based products such as fertilisers and pesticides upset the balance of payments for the non-oil producing countries, specially the developing ones, for which the situation had already become very difficult in the wake of the earlier food crisis. As far as India is concerned, it is well known that nearly 80 per cent of the foreign exchange earnings has had to be spent on imports of oil, fer-lisers and food alone. No doubt, the orts have shown a noticeable increase t the increase has not been adequate to et the expanding import bill. All this s meant reduced availability of essential ods leading to inflationary pressures with nsequent suffering to the majority of the pulation already on low subsistence vel. Similar must be the situation in her affected developing countries. It is deed tragic that in the present critical uation when such developing countries ed more assistance, and that too ur- ntly, the pattern of trade and so-called d, of which so much is talked about, actually resulting in transfer of even their nited resources to the richer countries.

ontinued impoverishment

This would mean not only no further provement in their economic health but ntinued impoverishment with nothing look forward to, for want to invest- ent, without which improvement in pro- ction and services would not be possi- e. One of the anomalies of the current tuation is that even essential agricultural puts such as fertilizers and pesticides are vailable to the farmers in developed untries at almost half the price at which ey are exported to the poor develop- g countries. To expect agricultural oduction to go up substantially in such situation is asking for the impossible. his is a situation which the world commu- ity can ignore only at its own peril. The avity of the matter is so serious that it nnot brook any delay. Means must, erefore, be found to ensure that there is a sitive transfer of adequate resources to e developing countries to enable them to crease production, particularly of essen- al goods such as foodgrains, in the ortest possible time.

High prices and restricted availability f oil-based products, such as fertilisers nd pesticides, not only lead to an in- ease in the cost of production of agricul- ral commodities but also set a limit to e growth of output. In a situation like is, price incentives for encouraging agri- ltural production can play only a limi- d role in as much as the farmers' capa- ty to take full advantage of such in- ntives is restricted due to reduced avail- bility of the critical inputs. Until this tuation improves, greater reliance ould need to be placed on inputs that re relatively uneffected by the energy isis.

In view of this, as also the urgency of creasing agricultural production we took several initiatives during the current agricultural year. Special regional meetings were held with the state governments to identify the issues requiring immediate action and to ensure proper implementation of the various development programmes. To relieve the shortage of power for tubewells in the states of Punjab, Haryana and Uttar Pradesh, a Contingency Plan was prepared to divert power from other areas and sectors. Arrangements were also made to meet the requirements of diesel for agricultural purposes A programme was taken up for the development of local manurial resources both in the rural and urban areas. I might mention that we are trying to instal 100 thousand bio-gas plants based on cow-dung in the rural areas, for the production of fuel gas for domestic use and good quality manure for agriculture. Stress is being laid on the development of irrigation and production and use of quality seeds.

We are also making efforts to evolve alternative cropping strategy for rainfed and drought prone areas so as to minimise the impact of aberrant weather conditions. Although the crop recently harvested suffered a set back due to failure of rain in parts of the country and floods in other parts, the crops sown at the commencement of this winter season present a hopeful picture. Many parts of the country received welcome rains in October, December and more recently in early January also. Food prices have witnessed some fall and we expect further easing of the situation when the standing rabi crops are harvested next April-May.

As I mentioned earlier, the developing countries find themselves today in a vicious circle. This vicious circle has to be broken. Given the will all round, it should not be difficult to find the necessary solutions, In the first place, the advanced industrialised countries could help by reallocating priorities for their internal production, imports, and export, so as to enable the developing countries to have a greater access to the world markets and, through this, to acquire the much needed foreign exchange. As you all know, the share of the non-oil producing developing countries in total world trade, small as it had already been, has declined significantly over the years, so that even otherwise there is a need to boost their exports. Secondly, the industrially advanced and the oil producing countries could provide development assistance in large measure to the non-oil-producing developing countries so as to enable them to expand their economies, specially in the agricultural sector, at a much faster rate, and achieve a stage of self-sustained growth in the foreseeable future.

May I restate in this context, that according to the projections made by FAO, the cereals deficit of the developing market economy countries could rise by 1985 to as much as 85 million tonnes which, at 1973-74 average price of US dollar 200 per ton of all cereals, would require 17,000 million dollars per annum, a staggering figure indeed. And, it was in view of this, that the World Food Conference held recently in Rome recognised the need for the international community to assist the developing countries in augmenting their production of foodgrains. Thirdly, to meet their immediate needs, the non-oil producing developing countries could be given adequate loans of foreign exchange at concessional rates. I am glad to note that initiatives in this direction are being taken by the world financial institutions.

For the world as a whole, I feel there is considerable room for economy in the use of energy and food, by changing the

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composition of the diet so as to avoid wasteful use of agricultural products to overfeed, in quality or quantity, a few, at the risk of depriving many of any food whatsoever. Food habits could change, and new sources of energy could be identified, developed and tapped so as to reduce the critical dependence on oil, The sun is an inexhaustible reservoir of energy. It is for scientists to devise methods to harness this energy. Greater reliance could be placed on the use of products with low energy content. Efforts could also be made for a more intensive use of energy through recycling.

I do not claim to have identified the remedies to the vexed and the mixed problems of inflation, energy crisis and trade dilemmas, but I am sure that, given the will and a spirit of cooperation on the part of the international community, we will get over the difficulties sooner rather than later.

The facts of a new economic order

Claude Cheysson
Commissioner for Development Aid, European Economic Community

THE ECONOMIC order of today is different from that of yesterday. This is a fact, one can like it or dislike it, one can complain or applaud, one can dream about the past; it is a fact, we have entered a new economic order. The point is that it should be better than the one before.

The new facts of this new order appeared at the time of the so-called economic crisis. The fact that there is an economic crisis cannot be disputed and I beg you, although you are talking about problems of development of the third world, not to forget that the OECD countries are very badly struck by the crisis. The growth in GNP, which had reached some six per cent average for the OECD countries in 1973 over 1972 has fallen to quarter per cent and will not go beyond 0.5 per cent in 1975 over and above 1974.

balance of payments

The balance of payment problems are extremely difficult and the countries that had a deficit in 1973 in the community — Denmark, Ireland, Italy, United Kingdom — have doubled their deficit; those that had a balance, such as France, are now in deficit. Altogether, the additional deficit of balance of payment that we have to pay due to the crisis represents 2 to 3 per cent of our GNP.

Inflation which had been there for a long time before the crisis has now reached peaks with an average of more than 13 per cent in 1974. Governments having used traditional and classical deflationary measures, have seen the beginning of recession. Unmployment has reached the figures which start political crisis, social commotion. The one-million figure is a kind of holy figure in Germany, France, in Britain and they are all under the light. This has not been evenly shared by the Community members and one, Germany, has done better than the others. Two have done worse than others — Italy and Great Britain. This resulted in internal tensions which are very serious. You should not ignore the psychological and political implications of this crisis. When one is sick, one has a tendency to close the windows and one has a tendency to refuse to see even friends. There is now a tendency to isolationism in everyone of the OECD countries, from the USA to France and other European countries and this countercurrent which what had happened during ing the past few years a very alarming sign.

grim picture

As a result of this also the weakest or the ones who feel that they are the weakest have accepted a larger degree of dependence of their economy, of their policies. As you may have read in the press, the chairman of the European Commission, Francis Xovin Ortoli, a few days ago was denouncing the increase of dependence of European countries with regard to the United States.

So the picture is grim on our side. Still there are some rays of hope, in particular the fact that, after a very long period of prosperity, the signs of a serious crisis have led those who have to think in terms of long term perspective to consider those perspective with greater care and with greater understanding and intelligence. I mean of course the bankers and the industrialists, who cannot afford thinking in short term. I mean also trade unions and often public opinion as well as the press. The fact that the press now speaks of long-term perspectives is one of the few rays of hope which we have in Europe.

The implications of the crisis for the developing countries have been shown during the last two days, so I shall be very brief about that. Still I would like to recall that the most seriously affected countries in the world are developing countries. They are those who were close to "absolute poverty" to take Mr MacNamara's expression "this one billion inhabitants" which has now lost even the hope to pull themselves up with their own resources. They were struck by the crisis, which resulted in fantastic increases in the prices of imports which are essential to life and did not get substantially better returns for their exports. My friend, Ambassador Lall, when he signed an agreement recently was saying: "We thought we could see the light. We were struck by the storm; the tunnel caved in, the light seemed to go out." This is the situation for the most seriously affected countries, one billion inhabitants in the world.

precarious position

Other countries have done better, those countries whose exports had increased in value at the same time when the cost of their imports was increasing. They have a new balance between their exports and their imports, they seem to be in a better situation. But for many of them, the situation is extremely precarious and it will remain so as long as we have the present balance in the commodity world markets, as long as these countries are suppliers of the economic growth in the world and not the partners in this world growth.

The oil producers are, of course, those for whom the crisis was ths most favoura-

Some 70 to 80 billion dollars were id to them additionally in 1974 — 10 15 billion from the third world, 65 to billion from the industrialised world.

According to OECD statistics, ports from oil producing countries hich were around 28 billion dollars in 73 will reach nearly 70 billion dollars 1975. Still they have many problems of velopment, due to the rapidity of the mp into this very modern type of society, lling for industrial and agricultural ad- ncement. For other oil producing count- es, there are surpluses which cannot be ed by them.

In brief, out of the crisis, it appears that ere are various types of situations, of velopment. Indeed the nature of re- iirements for development is very diffe- nt from one case to another. For the ore seriously affected countries, it is the iancial facilities that are needed. For ose who depend almost entirely on ex- orts of one or two commodities, the need for stabilisation of their revenue, of the turns for their exports. For those that ive now every chance to develop, it is a njuction of technical, industrial, and ientific cooperation. For all of them, it an access to markets, which will result better development of their com- ercial ability.

uits of unity

Between the developing countries struck y the crisis a number of political and ychological elements have also appeared. or some it is fear, fear of collapse, ar of chaos with everything that it may ean in political terms. For almost all them, it is a contention of the establish- l order which should result into pro- ess because it is going to be a driving rce throughout the world. The tone of e latest United Nations meeting con- rms that this contention will not be satis- ed with long tedious speeches but will sult into a constant pressure to change e rules of the game. There is also this ew feeling that sticking together gives ou an additional force. There is one oubt that the demonstration made by the il producers, however, unpleasant for number of us, in particular for the uropean countries, has taught a lessen. eveloping countries when they stand to- ether for a certain power, can build up rength and bring about some degree of quality between industrialised countries nd developing countries. We have to ccept it and I frankly welcome it.

Facing that now situation, what should we do? Of course we can keep on thinking of the past recalling the good days of the old order. I don't think this is the proper approach, the approach of responsible political leaders, responsible economists, journalists or financial writers. What we should do is to see the problems and devise new rules of the game. Most urgent of course is to meet the financial requirements of the most seriously affected countries. The first thing to do was to avoid that they should perish under the strain of the first months of the crisis. If someone is hurt on the road first you heal his wounds. The wounds have to be healed and this was the purpose of the decision taken by the United Nations during the extraordinary session: an emergency action was to be undertaken through which 3,000 million dollars would be made available to these 25-30 countries most seriously affected by the crisis.

The recommendations of the United Nations, criticised by many, has proved useful. The UN had to see that money was made available and it turned out to be a success mostly due to immediate action by the oil producing countries. We had hoped that they would give some 1500 million dollars of the total figure. In fact, we know already that in this 12 months period—July 1974 to June 1975—their contribution in accordance with the very strict criteria decided by the United Nations go far beyond that figure of two billions. The industrialised countries have also contributed as they should. The contribution of some of them is particularly striking and confirms that there was a ray of hope due to the reaction of public opinion and the press.

UN special account

A country like Switzerland with five million inhabitants has put 15 million dollars in this UN Special account. Sweden has put 37 million dollars for eight million inhabitants; Yugoslavia in spite of its difficulties has put seven million. I am pleased that the European Community has played a leading role in advancing the ideal although it was not among the first contributories. The Community has kept to its word and that was confirmed by our council of ministers meeting just a few days ago. We shall pay 500 million dollars to which we were committed.

I am sorry that the reaction was not the same everywhere. It is very surprising that the government of the United States decided not to take part in the exercise. It is all the more surprising when we think that every time in history when there has been a catastrophe in the world, reactio and emotions in the American publ opinion have been among the most powe ful. So I really cannot understand wha happened this time. I am also sorry tha the socialist countries have kept out o this effort. It is true that they can argu that they are not responsible for thi crisis, but they nevertheless are part o the world community. We all welcom their participation in an increasin number of international conferences lik the World Food Conference recently an we found difficult to understand that the should not be among us when the problen was to save the life of the most seriousl affected countries. The purpose of al this exercise was simply to give breathing space. It was not less but i was no more.

official development assistance

The new financial problems which these countries encounter with the increase in their import bil have to be faced. This will not be covered through a fund, but through a reorganisation and redistribution of financial flows throughout the world and a very substantial increase in those financial flows. According to the figure of the World Bank, official development assistance should grow from 10 billion dollars — the level in 1973—to 20 billion in 1980 for an average growth of eight per cent which is unacceptable as it means a decrease in GNP for a number of countries. ODA should grow to at least 25 billion dollars within the next five years to guarantee a two per cent average growth for the developing countries. At the same time, the borrowing capacity of these countries should be increased from nine to 23 billion dollars.

Roughly there should be some 30 billion dollars made available by 1980 in one form or another to the developing countries and in addition there should be the redistribution corresponding to the present economic circumstances with roughly 80 per cent of ODA and financial facilities to the MSAs and 20 per cent to the non-MSAs. These are impressive figures but they are not the figures that scare me.

Let me in this context recall the fantastic effort already made by the oil producing countries. The figures given by the OECD at the end of Nevermber, 1974 showed commitments by OPEC countries to developing countries are of the order of 10 billion dollars with actual disbursements reaching already 2.6 billion dollars.

This means that in the first year when the oil producing countries have received very substantial additional flows of money, their official development assistance has passed the European figure plus the American figure in commitments and has almost reached in disbursements the lower of the two which is the American figure. This is not sufficient but the hope is very great as we know of the further intentions of the oil producing countries. Every possible effort should be made to increase such flows and I welcome, therefore, the decision taken recently by the International Monetary Fund, with a view to borrowing on the oil producing financial markets for the purpose of extending to developing countries with a rebate in the rate of interest for the most seriously affected countries. I also welcome Mr McNamara's approach in his speeches. Every industrialised country should contribute to that effort through decisions taken at world level and also through its direct action in a number of developing countries.

appropriate answer

Oil producing countries are anxious not only to give money for development but also to invest money in profitable industrial, agricultural or other economic ventures. In many cases, the famous triangulation between facilities in the developing countries — peace, raw materials and commodities, ambitions to develop, the capital flowing from oil producing countries and the complement that we can and should bring in the form of additional markets, technology, know-how—is the appropriate answer. This conjunction can be extremely profitable and can result in very important ventures which will ultimately help in organising this much needed larger financial flow.

Let me turn to another important point which is the world food situation. I consider that in such a period the increase in the food aid programme is a must. I consider that the figure given as an objective by the FAO of 10 million tonnes of grains to be supplied as food aid, is the Bible. The Community is ready to play its part in building up a food aid programme and stocks. But I believe that where the European Community has a major role to play is food supplies. The crops which the world is short of can in many cases be developed in all parts of the world and through a common agricultural policy. We have a system of planning for agricultural production which is unique in the world. We can and we should include among our targets to be covered by the planning of the common agricultural policy the production of those additional quantities of food which are badly needed. Of course, this should not be done in isolation; this should be done in close conjunction with the assessments made by the FAO or by the new World Food Council in order that our additional production should take its place within world food requirements. This should not, however, mean competition with new or additional productions at home which remains, of course, the first objective.

The second field where new rules of the game have to be established is the field of raw materials and commodities. The UN Extraordinary Session in the Spring of 1974 has given the facts of the matter. We can agree here that a situation in which wheat price can be multiplied by two or three in a space of 18 months, sugar price can go up from one to six in less than one year, raw material prices can be multiplied by two or three or four in a matter of less than one year, such a situation is unbearable. At least it is unbearable for those countries which have to import such essential goods or for countries that dpend on the export of such goods for their revenue, for their economic life. Which are those countries? Well, they are the developing countries, but they are also all those industrialised countries that have a confined space. There is a great geo-political difference between the countries in Europe or Japan so heavily dependent on imports and the countries with large economic spaces such as the USSR or the USA. Therefore, our economic external relations are a part of our life.

common interest

We have to find a way to consolidate our external relations in terms of economics. We cannot afford the kind of risks which can be taken easily by those countries which are not importers of raw materials and commodities. In other words, in the field of raw materials and commodities, our interests are, in many cases, much closer to the interests of the developing countries than to the interests of those industrialised countries with large economic space. This is a new aspect of life which should be given due consideration. The final result should be world commodity agreements which would be different from one commodity to another. Such agreements should result in a certain degree of guarantee of sale of those products, a certain degree of guarantee of prices with a certain degree of reference to the prices of the other products, be they manufactured goods or other. This will indeed take a very long time to establish. In my opinion, we have gone through a ten-year period which was a period of independence of a number of colonial countries. We are entering a ten-year period which will be a period of raw materials and commodities, of organisation of world markets. It will be a slow progress as the interest of all are not identical — still progress should be made when and where it is feasible.

three approaches

In that respect I would like to reall three approaches now made by the Community and which fit well with this suggestion that we should try and progress when it is possible. In our present negotiations with the 45 so-called ACP countries, the all of Black Africa plus a few countries in the Caribbean and the Pacific, we have proposed to guarantee the nominal return of their exports, product-wise. In other words, should Ghana in 1978 get less for its cocoa sales to Europe than the average of the three previous years, we undertake to pay the difference. It is a right to compensation for the difference and it is as important, I consider, as it is to have unemployment allowances for our workers at home when they are unemployed. We guarantee to the producers who sell to our markets that, if there is a natural catastrophe or if prices fall in the world market, they will have a minimum return, i.e., the return they got on an average during the three preceding years. It is the right to compensation which is the important part of the story.

The second approach goes further and introduces a kind of sliding scale. On sugar we want to enter into a system with the ACP sugar producers according to which, as was the case under the Commonwealth Sugar Agreement, we guarantee to buy a certain quantity against a guarantee of supply but this is additional to the previous Commonwealth Sugar Agreement — we also guarantee a minimum price which is the same price as we pay to our own producers. The countries concerned may still take advantage of the market and get a higher price but in any case the prices paid to them will not fall below the price that we pay to the producers and as it is the price that we pay to our producers it indexed with the cost of production. We know very well that we, do, in fact, guarantee the producers against increase in the cost of production. Otherwise, they would stop oducing sugar beet. We extend the me guarantee to the ACP countries.

Thirdly—this aspect has not yet been entioned in public—and subsequent to e suggestion made by partners in the eveloping world, the Community has tated that it is ready to consider long-erm agreements for the supply of some f the agricultural products which we roduce. With the guarantee of supply nd system of pricing that would be preetermined, it would enable them to plan nowing exactly how much they will ave to pay for their own purchases of gricultural product. For a number of untries which cannot grow grains for nstance, due to climatic conditions, this s very important. The country with hich we are negotiating this, first and oremost, imports that commodity for 00 million dollars per annum and has population of 10 to 15 million habitants. You can see the importance r them if they knew that for that art of their imports they have a re-determined price evolution in direct elation with prices elsewhere.

All of us have to join forces to come a better deal on raw materials d commodities, this is in my view ne of the most important aspects of is new economic order. Meanwhile e most crucial issue will be, as mbassador Lall puts it, that we find e means in order that the import capaties of countries should not be impaired, d for some of them, in order that their port capacity should be increased rough the development of their export turns.

ccess to markets

For the industrialised countries at have very big markets, it amounts give an access as free as possible our markets. There it has been the nsistent EEC policy to enter into a solled General System of Preferences hich was started a few years ago. Our SP now covers very substantial figures: e maximum that could be introduced ty-free in the Common Market almost aches now three billion dollars per anum. It is an inducement to industrialition as it bears mostly on industrialised d processed products. We want to ake it a permanent system although it as adopted on a temporary basis. Much ill depend, of course, on what the other dustrial countries will do. But I am alady pleased that the Trade Act recently ssed in Washington has at long last deled on the General System of Preferences ith regard to the American market. We want to make the GSP a permanent system and this is a part of the assistance that we can give in this new order. In some cases, however, our ambition is greater and we feel that we should not only give free access but guaranteed access in a certain manner.

Then we come to the idea that there will be, probably on a regional basis, fields where economies can be better integrated or made more inter-dependent than they are now. We have to see how we can encourage our operators, industrialists, bankers, traders and brokers to enter into joint ventures of a long duration with developing countries on which we depend for the supply of some materials or capital. Such joint ventures can be entered into through joint investment which between us is becoming a more effective proposition now that there is oil producing countries' money available for investments, provided they are profitable. It can also take other forms that exist even with socialist countries where no foreign investment is allowed. This is the whole idea of long term contracting with certain industrial development taking place in developing countries for the sake of our market or at least partly for the sake of our market, the sales of the correponding production being guaranteed under long-term contracts.

role of companies

In all these fields you realise that the operators, the companies, will be the leaders and not the governments or the public authorities. National or private companies will decide on the fields where such joint ventures can be entered into because it makes economic sense in guaranteeing supply, in establishing that inter-dependence. Consequently, we will have to work more closely than in the past with our companies, our bankers, the economists who know about business, the financial writers. All this, of course, should be accompanied by an access to the technology developed by the industrialised countries, such a cell being the result of various preliminary actions. Of course, there are classical means of technical cooperation such as training, scholarship, technical assistance etc. which are not being ignored and are of particular significance in the field of agriculture.

But, in the field of industry, I want to draw your attention to the fact that the technology which is required for the development which you have in mind, for the development which is coming so fast now in some oil producing countries and in some of the neighbouring countries that kind of technology is not the technology which is taught in the universities or which is available to governments. It is know-how, it is experience, it i management, capabilities and this kin of technology will not result from forma agreements between governments o agreements with the Community; it wil result from direct investments by donors and others in ventures in which they have themselves a direct stake.

After we have considered these various means of action, I believe it is the conjunction of these means which, can be found to be a satisfactory solution. Every one of them has been known for years and it is by combining them that we can hopefully make progress.

policy of partnership

The idea that there should be conjunction of the means is not new to a country which belongs to the Commonwealth. But it is new to many other countries. In particular, when you are in the United States, there is always the tendency to consider that assistance to development is only of a financial nature. This is not our belief and this is why the Community has a preference for the so-called association, a policy of partnership. Through contractual agreements we can enter into a comprehensive system of aid to development, combining (as we shall do with the 45 countries, or with the countries of the South Mediterranean) financial assistance, possibly food supplies, technical assistance, trade promotion, access to the market, guarantee of export returns and institutional facilities thus enabling our partners to enter into contact with our public opinion, with our parliamentarians, our trade unions, our pres

It is important to remember here that industrialised countries cannot have a development aid policy which would be split from the other policies. It is true when they decide to open a line of credit or financial facilities, that what they give is not available at home but it is just as true in many other fields. If we decide to give free access to our markets, it means their production entering into direct competition with our own production. In the agricultural field we see that every day in Europe and in our negotiations with ACP or Mediterranean countries the main difficulty has been that duty-free entry into the Common Market means direct competition with our farmers. There will come a day when we have a better division of labour, as I feel should be the case.

So, there is a direct conjuction to make between our internal policies and our development aid policies. In other words development aid policies should be at the very centre of thinking of governments, it should be a subject for discussion, beyond governments, between all the political forces in a country. There will be no real development aid policy, if this is limited to the opening of credits. If we want to go further, trade unions, Parliaments, the press and the people should be involved. All this requires a lot of imagination.

In the olden days one would find a thinker sitting on a banch or a stone. Today thinkers cannot sit any more they have to run around to gather information, to listen to others. Today problems of development have to be reinvented by you, whereas in the past, there has been an effort, often very sincere to try and pass to you the lessons that we have learnt ourselves.

imagination required

Everything has to be reinvented when you think of the many mistakes that have been made with development having no roots in the culture, in the society of the countries that we were pretending to help. You have a right to develop, but also a right to remain yourself. So, imagination is badly needed, and this will be one of the challenges of tomorrow.

As you see, my whole reasoning is definitely for the new order. But, I am afraid, I have to say that I have not put myself in the perspective of the club of Rome. Another meeting would be needed, if you were to consider what would happen in a world that would run short of everything, that could be suffocated by the excess of population. Still, I think this is not the problem of today, not the problem of tomorrow. I respect the thinkers of the club of Rome for their long-term considerations which must be kept in mind. But today and tomorrow the problems are different, there is still enough for us to progress, and I am convinced mankind has a kind of genius that will make it possible that there will be enough still for many years to come. When your chairman wrote to me in October he said:

> "We believe the EEC has a central role to play in giving lead to new perspectives of international cooperation, both political and economic."

I think he is right; at least I think it should be that way. First, no industrialised country can be indifferent to what is happening now. Men are dying, this is a problem for all of us. There can be no peace in the world if there are tensions and injustice bearing on millions of people. We have a responsibility in the creation of the order that prevailed so far. We built it for our own sake. We were often responsible for your economic development for tens of years, if not centuries. We thus have a direct responsibility. But it is not only on moral ground that we cannot be indifferent; the whole economic balance depends on the resolution of this crisis. We need your markets. There is money floating around the world in search for investment possibilities. The development is a must for you, and it is also a must for the economic order.

But, more precisely for Europe, as I told you earlier, countries with unlimited supplies must compensate those small states by a consolidation of a number of their economic external relations. It is for us a 'must'. We have to compensate the small size of the markets of our own states. I think the time is better now than ever before for this endeavour. As I have said, our industrrilists were very much afraid when they felt they could be strangled. They are more decided now to look outside. They are anxious to enter into the new markets, because they want to sell more and the new markets are in the developing countries. They are anxious to have access to the new financial resources which exist mostly in the oil producing countries, and all this is in the interest of our bankers, industrialists.

It is a grand design, it is a vision of cooperation, not of confrontation. Here I should say that Europe needs cooperation. The risk for Europe is too big if there is confrontation. So it is my hope that we shall play a central role. But, again, much will depend on how we can cooperate with you in setting out what should be done to turn the present crisis into a motive, into a force for progress.

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Cautious east-west economic relations

London

Jossleyn Hennessy

WINDOW ON THE WORLD

I

Politics Condition Trade

THE SUDDEN upsurge in east-west trade in the early 1970s, after two decades of stagnation, revived in the west the old hope, dating back to the days of the common struggle against the Axis powers in World War-II, that increased economic interdependence between the capitalist and communist systems may result in the gradual dismantling of military and political rivalries between them. Some people even see east-west trade as a means of inducing political change in the USSR towards greater liberalism at home and greater tolerance for the aspirations of the people of eastern Europe, who have been under Soviet rule since 1945.

How realistic is the hope that western aided modernisation will make the USSR more liberal at home and more ready for compromises on the international scene?

How strong are the forces in the Soviet bloc on whom these hopes are pinned?

Russia's postwar policies in eastern Europe provide clues, none of them especially encouraging.

Under Stalin, the USSR opposed the western powers' postwar efforts to liberalise international trade and to promote multilateralism in east-west relations. Stalin sought to consolidate Soviet control over the newly acquired empire in eastern Europe. Stalin looked upon an economic opening towards the west, where the traditional markets and partners of the most developed east European countries were, as a threat to the political and economic hegemony that he was establishing. When Czechoslovakia's government, under a Communist prime minister, announced that it was interested in the US offer to join in what was later to become the Marshall Plan for the recovery of Europe in 1947, Stalin forbade it to do so. From then on, the limits of east European countries' economic sovereignty became steadily narrower.

Apart from purely political reasons for wanting to strengthen its control over eastern Europe. Russia had clear economic objectives there. In Soviet eyes, eastern Europe, especially the more developed countries such as Czechoslovakia, Hungary and East Germany, were important sources of raw materials and machines for its own postwar recovery and the second phase of its industrialisation which began as soon as the recovery had been completed. From further enemy countries (East Germany, Hungary, Rumania, and Bulgaria) Russia is estimated to have taken some $15—20,000 million in reparations, dismantling and occupation costs. Former allied countries (Czechoslovakia, Poland, Yugoslavia), too, made their contribution by delivery prices well below world market prices.

In contrast, the much maligned US "imperialism" put up an estimated $19,000 million into western Europe's economies—and this quite apart from what was provided as part of UNRRA and other relief programmes.

In addition, Russia's new "socialist commonwealth" became a vast workshop for Russian orders for machines, equipment and consumer goods. Moscow expected all eastern European countries to embark on Soviet-style industrialisation emphasising heavy industry. This was followed later by the collectivisation of agriculture everywhere, except in Poland and also Yugoslavia, which had embarked on its own version of collectivisation upon leaving the Soviet bloc in 1949, but abandoned it in 1953. This enforced industrialisation raised fewer problems in the largely agrarian countries of south-eastern Europe, such as Rumania and Bulgaria and even Hungary, even though Hungary had considerable industry in a predominantly agrarian economy. But collectivisation was a vast and costly upheaval for an industrialised country such as Czechoslovakia, for example, whose real strength was in light industry.

trade reorientation

As soon as the process of the communist take-over of power was completed in 1948, the USSR compelled Czechoslovakia to drop its trading partners in the west and to reorientate its trade towards the Soviet bloc. From that time on, Czechoslovakia was obliged to become the main supplier of electric and diesel locomotives, presses, forges, rolling mills, diesel generators, river boats and chemical equipment for the USSR. By 1964, 40 per cent of Czechoslovak exports went to the USSR and only 15 per cent to non-communist countries. Poland, too was forced into an about turn: before the war, the USA was its main trading partner and the USSR accounted for only one per cent of Poland's foreign trade.

In a way, life for east European exports became easy; the Soviet market took everything, but the easier that it became to sell there, the more difficult was it to sell in discriminating and demanding western markets. Foreign trade was only one example of how, tied to the Soviet Union, with its lagging technology, east European economie dropped even further behind western Europe. The more developed eas

European countries, such as Czechoslovakia (and others too to a certain extent), resented being asked to pass on what they had in the way of a technological lead over the Soviet Union and the less developed east Europeans, because at the same time they remained cut off from the sources of really advanced technology in the west.

II

Shift of Priorities after Stalin

Stalin's death gave the east European leaders a chance to shift their economic priorities, i.e. to revive their trade with the west and to put less emphasis on heavy industry in their domestic development plans. Trade with the west began to rise and some attention was given io agriculture and the light food industries. But the rapid recovery of the Soviet economy in the first few years of Khruschev's rule and its ability to increase deliveries to eastern Europe, including industrial materials, encouraged the east Europeans to resume their expansion of heavy industry. The output of the heavy manufacturing industries especially machinery and equipment, was expanded in order to use and pay for these additional Soviet deliveries. This in turn created new opportunities for investment. Fast economic growth to the limit of each country's economic resources remained official policy until the early 1960s.

The leading Czechoslovak reformer Professor Ota Sik, has given a vivid description of this "production for production's sake" policy, which later caused serious upheavals and forced a change of course. In one of his television lectures shortly before the Soviet invasion in the summer of 1958, he said: "Our main investments were in the sphere of mining, steel works, heavy industry and the like. It is understandable that other countries must also invest to a certain degree in these branches of industry. But we gave them top priority. For instance, in 1948 we invested in mining, in the utilisation of fuels, in electric power, and in metallurgy 35 per cent of our total investment; in 1963, 44.5 per cent; and in 1966, over 47 per cent. The expansion of this branch of industry was such that our economy could not carry it. . .In other words, the creation of heavy machinery production required more and more steel, therefore we had to build steel works, and the building of steel works required large construction works, which in turn required again heavy machinery. And as the heavy machinery industry increased, it again required steel works, and so on. .In other words, they delivered to each other. According to the plan balance sheet, everything was in order. There was always a certain demand which was met from resources, but the end result for the population was minimal". (*Ota Sik, The Bureaucratic Economy, 1961*).

As a result of mounting difficulties and criticism from the population, all the east European regimes had to scale down their targets: Bulgaria and East Germany in 1961; Czechoslovakia in 1962, and Hungary and Poland in 1963. This was followed by various economic reforms, beginning with the East German "new economic system of planning and management" in mid 1963. Criticism had focused on mistakes in economic policy and the inefficiencies of bureaucratic control. The reforms sought to correct these weaknesses by giving the planners the training and tools needed to support economic policy, by gradually handing over economic decisions to industrial managers and replacing the sanctions of plan fulfilment by those of the market.

limited objectives

Party leaders accepted these reforms with serious reservations and in some countries, such as East Germany, ensured that they remained limited so as to prevent them from spilling over into the country's political life. But in other countries this process proved more difficult to control. The leaders' limited objectives were transformed by those who were told to execute them into something far more comprehensive and challenging. The intellectuals who were given the job in Czechoslovakia grasped that, to achieve a substantial improvement in the country's economic performance, the whole system would have to be changed. It is not a coincidence that this was realised with such clarity in Czechoslovakia, which before the war had a strong parliamentary system based on a prosperous capitalist economy. As Sik and other reform leaders in Czechoslovakia later admitted, the search for a better-balanced "new socialist model" for Czechoslovakia half-way between capitalism and administrative socialism contained in itself a strong element of political pluralism". And so political liberalisation in the eyes of the Czechoslovak intelligentsia soon became an aim almost as important as the original aim of getting the country out of the economic trough into which years of Stalinist mismanagement had driven it. Moscow was of course also alarmed that expanded relations with the west were one of the basic features of the reform programme aimed at revitalising the Czechoslovak economy during the Prague spring in 1968. Neither this nor political reforms were what the Soviet leaders had originally and reluctantly agreed to as a limited rescue operation for the ailing east European economies So they set about to reverse the process.

Even before the soviet invasion in August 1968, had put an end to the Czechoslovak experiment, reforms had lost their momentum in East Germany, Poland Bulgaria and even Russia itself (Rumania had by then embarked on its lonely nationalist challenge to Moscow with little or no thought of domestic liberalisation). Only Hungary was continuing its own cautious but well thought out reforms. launched in January 1968, only a few months before the Czechoslovak crisis. But even after the invasion of Czechoslovakia, Hungary's unwavering loyalty to Moscow in foreign policy, as well as the memory of the 1956 uprising, ensured that it was allowed to get on with its economic reform programme. Like that in Czechoslovakia, this involved a substantial degree of decentralisation of economic decision-making and of liberalisation of foreign trade. All this was done in strict isolation from the political framework, which remained intact. But despite its undoubted economic successes, the Hungarian reform too has now lost much of its original momentum. Much more ominously, several protagonists of the new economic course were demoted in February 1974, and were replaced by more orthodox party men in the Hungarian politburo. The primacy of of politics over economics is now restored.

fruits of the reform

This has not happened solely or even primarily on orders from Moscow. Hungary's own critics of the new economic system have played a big role in its virtual immobilisation. These critics have been helped by the disappointment felt by many workers in Hungary with the fruits of the reforms. In Czechoslovakia, there had been too little time to put the feelings of the workers and the population at large to the test. But even in the short period between January, and August, 1968, there were already signs of working-class doubts about some of the measures put forward in answer to Czechoslovakia's lagging industrial performance. This was particularly true of plans to introduce bigger differentials as an incentive for skilled workers and technical staff.

In Hungary, the gains made by the

rofessional people, the managers, and he higher-paid workers since 1968 have rovoked resentment, which has delighted he more orthodox hardliners, who had een sceptical about the reforms on other rounds. Moscow has welcomed the ppearance of these new allies within astern European countries as a brake on undesirable reforms. Russia's own extremely limited reforms started in 1966-67 are now proceeding even more slowly and cautiously.

III

Technocrats Defeated

In terms of classes and groups that influence policy, it could be argued that a combination of external and internal circumstances has led to a big defeat for the pro-western managerial technocrats, who have been supplanted not necessarily by old-style Stalinists but by extremely cautious pragmatists and opportunists afraid of undue risks. Of necessity, some further experimentation certainly goes on (in Poland for example) but within a still more limited framework. Those responible for economic policy, must now act with an eye not only on Moscow and their more conservative brethern in eastern Europe, but also on critical domestic opinion at home, composed partly of resentful workers and partly of the much smaller but nevertheless influential coalition of conservatives and younger idealists in the party apparatus and outside in the universities, who instinctively suspect anything that smacks of capitalism, profits, etc.

To limit the impact of any changes in the economy is one thing; to ensure that the economy goes on developing at a satisfactory rate of growth is another.

The economy's ability to deliver the promised higher standards of living to the masses—an enormously important objective for the whole Soviet bloc since the Polish riots in December, 1970—is kept in mind by the leaders. Russia's own rate of growth has slowed down alarmingly in the past few years, and the same has happened elsewhere in the bloc with the exception of Poland and Rumania. Having rejected the idea of big reforms as a way out, Soviet leaders hope that increased economic contacts with the west as a means of obtaining the necessary know-how and modern technology will serve as well if not better.

In this context, these economic relations with the west are crucial. It is not so much a matter of vast direct investments by the west, which would be difficult to integrate with the Soviet system without disrupting it and causing political instability. It is much more a question of obtaining western aid for a limited number of really crucial projects, in high technology especially, plus the credits to finance them. Later on, having made a start on the opening of vast resources in Siberia, Moscow calculates that the USSR may be able to do without western aid. The persistence with which the Soviet leaders have been pushing their ideas and plans in the west, especially in the USA, West Germany and Japan—the three industrial countries in which Russia is most interested—shows what importance they attach to western capital and technology. But as the experience with the Fiat car project in Togliatti since 1965 has shown, the Soviet government is not prepared to open its country to anyone any more than the strict minimum necessary. The Soviets do not want prolonged foreign presence in the USSR.

cautious approach

Moscow is enforcing the same caution on its east European partners. The extreme caution with which they have all tackled so-called joint ventures with western companies is an example. Apart from Yugoslavia, which has not been subject to Soviet dsscipline, and Rumania which has since 1964 carved out a more independent position within the bloc, other east Enropean countries have not been ready to allow foreign firms on their soil. There have for years been plenty of joint ventures in third countries, as well as straightforward production-sharing,i.e, prodction in, say, Hungary or Poland, for assembly elsewhere or vice versa, but that has been all. Only in July of 1974 did Hungary set up two such joint ventures on its own soil—one with the Swedish car firm Volvo, the other with the West German Siemens. Poland is considering a step in this direction, but Czechoslovakia (mindful of what happened in 1968) is planning no thing like that yet.

Moscow is anxious to help its east European partners to reduce their huge deficits on trade with the west by increasing their exports to those countries. These deficits have, of course, grown as a result both of the inflation in the west and specific problems, such as the oil crisis. But here the east Europeans face the same problem that they first enountered in the 1950s. Years of easy exports to the Soviet market have reduced their fitness to compete with western manufacturers. The east Europeans want to find other ways of tying western firms to themselves and obliging them to push their joint interests on western and othe markets. This is probably the background to the decision to try out joint ventures after all. But the clear Soviet proviso is that their shall be no repetition of what happened in Czechoslovakia in 1968. In other words, the west is expected to deliver its goods, but not to reap any political advantages from them. The Soviet Union seeks to reconcile three aims: (1) the maintenance of a reasonable rate of economic growth, (2) the preservation of a large measure of control over eastern Europe's economic contacts with the west and (3) the restriction to a minimum of outside influence on existing economic institutions. An east German commentator put it extremely clearly last year:

"There can not and will not be any free movement for the capitalist way of making money; no peaceful mixture of a bit of capitalism and a bit of socialism. We do not cook an ideological or economic stew with capitalism. Peaceful coexistence means sensible cooperation with a simultaneous and unmistakable delimitation of political and economic systems. This also calls for never slackening vigilanee vis a vis imperialism". (H. Grothe, East Berlin Television, February 8 1973).

vital interests

Of course it could be argued that this is just the voice of East Germany, still the most conservative and embattled of east European governments (which incidentally manages to keep its own technological short-cut in the from of intra-German trade with direct access to the Common Market!). Some of the others, except Russia itself, are probably vitally interested in these contacts and strongly tempted to risk something in the interests of obtaining the great benefits that such cooperation undoubtedly gives those communist countries who embark on it. But the present prolonged ideological and political campaign in eastern Europe is designed precisely to guard against the temptation of even brief flirtations with the west, while yet obtaining western goods. It is designed to ensure that no undue expectations are aroused by the increasing economic contacts with the west, and that once these contacts take place, they do not develop beyond the strictly defined limits laid down by Moscow.

Sources and acknowledgements: The foregoing summarises, by special arrangements, a report in the latest issue of *European Trends*, published quarterly, to subscribers only by the Econcmist Intelligence Unit, but the EIU is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

Towards a united front

E.B. Brook
London

WITH AN agreement in Washington over methods of recycling the billions of dollars earned by oil-producers, a distinctly protectionist State of the Union message from President Ford and bank purchase of majority holdings in major industries in West Germany the oil-consuming west have sought to arm themselves after mutual squabbles for nearly 18 months against the effects of higher energy prices.

They are not measures taken by an assured industrial world; they are protective moves taken by very alarmed states who realise their arguments between the Common Market and the USA and between the USA and France have used up precious time during which all of them have moved fast towards runaway inflation, shakier currencies and dangerously rising unemployment. The intensive last-minute efforts by Washington to avert a clash between the USA and the Common Market before the monetary conference opened was a sign of the intense disunity over methods of bringing the middle-east's dollars into rational investment and industrial use and the determination of both west Europe and the USA not to be left holding the baby of major responsibility for helping the weaker oil-users if they ran into financial difficulties. Only with reluctant difficulty was a compromise, born of the knowledge that failure to agree could be catastrophic, between the Kissinger plan for a 25,000 million dollar lending fund for major oil consuming nations and the European plans for a petrodollar recycling facility within the International Monetary Fund, achieved.

deeper understanding

A major outcome of the several quick secret trips between Washington and Bonn, conducted by Dr Burns, chairman of the US Federal Reserve System who, fluent in German, enjoys far greater prestige in West Germany than any other American financial official, was a far closer moving together between the Americans and West Germans, backed by an assurance of extensive German Central Bank support of the dollar. The Americans see in still prosperous and a very determined West Germany a far better assurance of support in Europe than France moving towards negotiations between oil-producers and oil-users and than in a often disunited Common Market.

Germany's pragmatic Chancellor Schmidt, despite his socialism, stands far closer to the basic American attitude that industry must pick up and continue to grow than any other European leader. The Americans are still the most aggressive towards the oil producers of any of the users but recent protective purchase of majority holdings in the German Krupps concern and the massive Good Hope mining and engineering combine to keep middle-east majority purchases at bay showed that the Germans, though intent on keeping the best relations with Arabs and Iranians, were equally determined to adopt a defensive attitude. The purchase is itself something of a gamble depending for success on the continuing profitability of the two great firms which, in turn, depends on the availability to them of sufficient industrial fuel. But, having seen some weaker holders of Daimler Benz blocks of shares sell with almost demonstrative secrecy to Arab investors, the Germen government and banks were not prepared to wait for legislative processes before they stepped in to forestall others from yielding to the lure of liquidity at the risk of permitting embarrassing foreign majority holdings in their prestige industries.

fear of unemployment

Self-protection is the keynote of contemporary west European policies. They are alarmed less about middle-east money as an investment weapon than they are about their banking systems and, above all about unemployment. With bitter memories of the '20s and '30s and their outcome the European governments fear unemployment more than anything else. Their fear may be misplaced, for circumstances in social security and political attitudes are far different from those of 50 years ago. The almost complete change of attitude by President Ford who now recommends tax reliefs and protective charges instead of a policy of non-interference which he announced on taking office is a case in point. The heavy lay-offs of foreign labour throughout west and central Europe and the adoption of short-time working to avoid discharges are other signs that growing worklessness and a falling standard of living are alarming the governments. Rising prices, worklessness or short-time are the effects of the higher oil and enegy prices that are most obvious to the people who are voters and on whose content depen peaceful civil government.

In the USA more than seven per ce of labour force is workless; German u employment is probably now over th million mark; the French, rather luckie have approaching 900,000 seeking jo and in Italy lay-offs and short week have increased since the beginning the autumn and there is no likelihoo of improvement before the late spri Everywhere in the Common Mark the number of workers unemployed short time has risen very sharply recent weeks. Workers due to retire the next few years are being offered i centives to cease working earlier; sh working weeks and short time in rotati are other devices used universally disguise the real extent of west Europe unemployment and to preserve content

rising bankruptcies

Similarly, in west Europe and t USA the number of bankruptcies persons and businesses doubled in t last year, industrial output is droppi and consumer-confidence is saggi The general effect, with inflation avera ing about 15 per cent is unsettling.

Of them all, the French are probab the least anxious of the west Europea They are holding their own viewpo as to how best to bring energy proble into solution, insisting on their mul lateral conference on energy among producers, oil consumers and indust ally developing countries. Preside d'Estaing's success in persuading Americans agreeing to hold the meet pleases the French and a preparato conference is expected in Paris in Ma with the aim to hold a final conferen late in the summer.

Two of the "developing" sta invited—India and Brazil—produce and oil discoveries in Brazil continue. T Algerians, invited as an oil produc protested rightly that it was a develop nation. The original plan for a "tri teral" conference of producers, users a "developing" is being quietly dropp The American-backed French initiat may become a major discussion future production, supply and use valuable raw materials generally and t French feel that they have given a lead a longer-term solution of present p blems than is provided by any constr tions of monetary ingenuity.

MOVING
FINGER

h the way the second In-
onal Seminar of Economic Journalists, held
y in New Delhi, went, its sponsors and parti-
s have every reason to be satisfied. Never-
, there could be two opinions on some as-
of it as, indeed, there could be more than one
n on almost every thing on earth
me add, in heaven with or without a capital
is of course only too true that the presence
articipation of men such as Mr Claude Chey-
commissioner for Development, European
mic Community, Mr Ahmed Kouross, deputy
er of Economic Affairs and Finance, govern-
of Iran, and Dr K B. Lall, our ambassador
ussels, were of much interest and benefit to
liberations. Nevertheless it seemed to many
ipants that some of the organizers of the
ar, particularly the ebullient Mr da Cost
dent of the Forum of Financial Writers,
Delhi under the auspices of which the semi-
as held), had allowed themselves to be over-
ed by their indebtedness to the visiting
aries for so generously giving of their

unted that oil is important and Iran even more
tant, since the Iranian government particularly
en making positive contributions to an under-
ng or resolution of the problems of the oil
ituation and its impact on the world econo-
would still be proper to say that both oil and
were allowed to pre-empt the proceedings of
minar to an undue extent. It could be that
as partly because the young and brilliant Mr
s proved to be such an attractive and effec-
erformer on the platform — his marshalling
ures and arguments was indeed impressive.
, granted that the forum and the two inter-
al seminars sponsored by it owe a great deal
K.B. Lall as its friend, philosopher and guide
hat he is peculiarly qualified to speak with
edge, authority and vision, or even to lay
the law on the issues which were on the agen-
time, it could still be said that the seminar
have been used less obviously or obtru-
for certain diplomatic objectives in which
of us may have or may be considered to
special interest.

result of all this was that, quite early on the
the seminar seemed to have lost track of its
a. There were speeches and speeches but
discussion, and even with regard to the
es there were some queer happenings. For
ce, a leading industrialist from south India
portuned to attend the seminar and parti-
in it. But, having persuaded him to do so,
concerned seemed to have promptly lost inte-
inviting him to the mike. I should perhaps
this lapse simply to thoughtlessness
e general loss of control over the time-table
se who were guiding its proceedings. I may
so that the industrialist in question could not
cared less and that it is the Forum which
loser in the sense that, when a difficult and
ex enterprise has been organized with such
dedication and enthusiasm by its active members, it is a pity that there should have been avoidable contretemps.

Not since the second World War are battles being fought on so many fronts as is the case with *l'affaire Verghese* — and I have a suspicion that more fronts may be opened before the last shot is fired and forgotten. Mr G.S. Bhargava of *The Hindustan Times*, who has taken it upon himself to shed light on the dispute, which its editor is having with its management, has written an article for the *New Statesman*, London, the British part of the readership of which is evidently in need of some diversion which could take its mind off the I.R.A. Mr Bhargava or, perhaps, the subs at the *New Statesman* have given this article the caption "The Birla Letters" which, as Lewis Carroll might have said, is rather odd, for the one and also the only relevant statement which Mr Bhargava has made in this article is that, after asking, "What is in the famous Birla letters?", he has given the answer that, "Frankly, I do not know." Lest anyone might suspect him of wanting in journalistic enterprise or resourcefulness, Mr Bhargava explains that his ignorance is "because Verghese has not even shown them (the letters) to his (Mr Verghese's) wife." I do not know whether the implication is that, had the wife been shown the letters by the husband, Mr Bhargava could somehow or other have managed to have a look at them.

I do not know either whether Mr Bhargava has a grievance that his editor has this unhelpful habit of being secretive within his family circle. It is however clear enough that he has a complaint against Mr (K. K.) Birla who, says Mr Bhargava, has been "cagey" about the contents of his letters. Although Mr Bhargava, as he claims, may not know what is in the Birla letters, he admits that Mr Birla has marked his letters to Mr Verghese as "private and confidential." Having so marked his letters, was Mr Birla supposed to make copies of them and distribute them among all and sundry in which term may be included Mr Bhargava? Incidentally, apart from having learnt that Mr Birla's letters were marked 'private and confidencial,' Mr Bhargava seems to have also acquired the additional knowledge that "Mr Birla entered into a long and discursive correspondence." The adjectives, obviously, are used in a pejorative sense and, since it takes two to carry on any correspondence, the fault could not have been entirely Mr Birla's, if in this case the correspondence was "long and discursive."

Mr Bhargava may not know what is in the Birla letters, but this has not come in the way of his devoting about one half of his article to figuring out why Mr Birla should have thought it necessary to terminate Mr Verghese's services. He says that, by "observing the development from *The Hindustan Times*' office and piecing together bits of circumstantial evidence" he has been able to make a number of "guesses" — 'inspired', perhaps. I should not grudge him any credit that may accrue to him for his ingenuity, but I have to point out that, so far as making guesses — inspired or otherwise — goes, he has been outsmarted by the local correspondent of the *Newsweek* who had long ago drawn on his imagination even more ungrudgingly to divine what might have prompted Mr Birla to come to the conclusion that it was time for a change of editors at *The Hindustan Times*. Some of us may feel that fair comment has been the first casualty of *l' affaire* Verghese, for it is nothing short of an outrage that libelous or near-libelous charges are being made against the chairman of the board of directors of The Hindustan Times Limited by journalists, both Indian and foreign, on what is described as "bits of circumstantial evidence", but which could very easily be no more than bazaar gossip.

According to Mr Bhargava, Mr Birla wrote to Mr Verghese last August terminating his services as from the 28th of February this year. In other words, Mr Verghese has been given six months' notice and no obstacle has been placed in his way of functioning as the effective editor of the newspaper during this period. Yet Mr Bhargava describes this action as something done "abruptly." If Mr Bhargava has not chosen to be so selective in his use of "bits of circumstantial evidence", it should not have been difficult for him to guess — especially as guessing seems to be a strong point with him — that some discussion had probably taken place between Mr Birla and Mr Verghese before the letter in question was written. Again, some goodwill gesture which all progressive managements make to their employees who may be retiring or otherwise departing and which Mr Birla may have held out to Mr Verghese is interpreted by Mr Bhargava as an attempt at bribing Mr Verghese to quit quietly. Malice, it appears, is all.

Finally, Mr Bhargava has a dig at journalists who are not concerned about upholding journalistic rights and ethics since they look to the government for providing "cheap housing, automobiles from the official pool, free trips within the country and abroad, assignments from the government in radio and television, and similar perquisites." Are we to infer that Mr Bhargava has been imposing on himself a virtuous regimen of self-denial in these matters? If this were indeed the case, the house he has built for himself on concessional land in the journalists' colony in New Delhi should have come into being in a fit of absent-mindedness. The *New Statesman*, in a footnote to the article, mentions that "Mr G.S Bhargava is an assistant editor of the Hindustan Times, New Delhi." To this may be added the information that, when he was employed by *The Hindustan Times* in this capacity, which was after Mr Verghese had become editor, there was a move in the office to protest against this appointment. I must add, however, that what I have said here is owed to hearsay which, I submit, may not be less reliable or reputable than the "bits of circumstantial evidence" which have set Mr Bhargava off on his guessing game. April 1 will soon be around and while Mr Bhargava must be a strong candidate for the proverbial Fool's regalia, the editor of the *New Statesman* should be no mean rival. When he extended the hospitality of that journal's columns to Mr Bhargava's fulminations, Mr Anthony Howard should have assumed tha people would have forgotten that he himself had stepped into the shoes of another and much bettdr man, the late Richard Crossman who had to go (and who did so gracefully) because he had differences with the management.

VB

An *Eastern Economist* Feature

INDO-SOVIET COOPERATION 1955–75

Fruits of teamwork

S. P. Chopra

OUR COUNTRY sought economic assistance from a number of friendly nations during the past two decades so as to quicken the pace of economic development. We were fully aware of our shortcomings, particularly in regard to the paucity of resources and technical knowhow. Happily, many countries held forth their hands of friendship and the USSR occupies a high rank among them. The number of projects which have been completed or are being implemented through Soviet cooperation is equal to 80 and they cover some of the vital sections of our economy. Also, the USSR is among the top four countries which have given generous assistance to our country, the other three being the USA, the UK and West Germany.

Heavy industry

The bulk of the assistance provided by the USSR is in heavy industry. The Russian technicians who helped in the erection of the Bhilai and Bokaro steel plants deserve our whole-hearted appreciation. What is noteworthy about these steel plants is that their performance as measured by the most rigorous tests has been of the highest order and has helped this country in saving foreign exchange worth millions of rupees. What is more, Indian technicians have received training in the manufacture of iron and steel not only while operating the above-mentioned two steel plants but also in some of the steel plants in the USSR.

Pivotal position

Petroleum has, during the last two years, occupied a pivotal position in the world economy specially after the sharp increase in oil prices by the oil-exporting countries of western Asia. The USSR has extended liberal assistance to our country in not only the prospecting of oil-fields but also in the setting up of refineries. Thanks to the training imparted by the USSR technicians to our workers, it is now possible for us to take over the management of all the refineries in our own hands and plan the erection of new ones. Even in the prospecting of oil in the offshore areas, the USSR was the first to extend its helping hand.

Besides heavy engineering and oil, the USSR has rendered assistance in the erection of power plants, exploitation of coal resources, manufacture of coal-mining machinery, development of non-ferrous metals (such as copper, aluminium and zinc), manufacture of life-saving medicines, production of medical instruments, fabrication of precision instruments, shipping and ship-building and even in the field of agriculture through model farms. Not only has the USSR provided this country with tractors when their manufacture had not been started but it has also helped in the improvement of many strains of plants. Our country is currently developing sunflower with Soviet cooperation. It may be stated that sunflower has an oil content of 45 to 50 per cent as against 20 to 25 per cent in groundnut.

Solid foundation

The June 1971 agreement for scientific and technical cooperation in agriculture and animal husbandry laid down a solid foundation for cooperation in this field. The Indian Institute of Technology, Bombay, Geological Department of Osmania University and the Metallurgical Department at India Institute of Technolog Kharagpur, received libera assistance from the Sovie Union. In the field of scientific research, the USSR ha provided valuable help i regard to computers, satellite and rocketry.

Manifold increase

The trade between th two countries has multiplie manifold since 1953 when th first trade agreement between India and the USSR wa signed. It has played a dynamic role in equipping ou exporting units with capabilities to be able to export in a competitive manner even to other countries. In 1953, the trade turnover between the two countries was a little more than a crore of rupees but in 1973-74 it exceeded Rs 530 crores. The protocol for 1975 envisages trade turnover of more than Rs 700 crores. Besides the export of such traditional commodities as tea, coffee, deoiled cakes, cashew, spices, tobacco and raw jute our country has exported in recent years increasing quantities of cotton textiles, jute manufactures, handicrafts, readymade garments, linoleum garage equipments, electronic ors, batteries, power cables, ropes, dyes and tools, rgents, cosmetics and rettes.

Over the past two decades economic and trade rela- ns between India and the USSR have acquired a firm basis. At the same time, the Indo-Soviet Treaty of Peace, Friendship and Cooperation which was signed on August 9, 1971 gave a comprehensive legal framework of collaboration between the two countries. The Indo-Soviet Joint Commission for Economic, Scientific and Technical Cooperation has provided the institutional framework within which extensive programmes of teamwork have been worked out. And the next decade promises further intensified cooperation between the two countries in the fields of agriculture, industry, science and technology.

Mutually beneficial economic ties

V. A. Kuznetzov

Counsellor for Economic Affairs, USSR Embassy in India

E YEAR 1975 is a remark- le year in the development mutually beneficial econo- c ties between India and USSR.

This year we are celebra- ıg the 20th anniversary of launching of Soviet-Indian onomic cooperation which gan with the signing, in bruary 1955, of an agree- ent on Soviet assistance to dia in the construction of e first stage of the Bhilai eel Plant. During the last o decades, this cooperation s greatly expanded. About industrial projects have en or are being constructed designed in India. Out of ese, more than 55 projects ve already been commis- oned. In a majority of ses, these represent large odern metallurgical, engi- ering, oil producing and fining enterprises, coal nes, power stations, agri- ltural farms, etc., which ntribute considerably to e development of the econo- y of the country, especially public sector.

ariegated products

At present the above- entioned projects account r one-third of India's out- t of steel, one-fifth of power neration, 60 per cent of ude production and 30 r cent of oil products, more an 80 per cent metallurgi- l equipment and a consi- rable part of power equip- ent; they also turn out ge quantities of drugs luding antibiotics.

The year that has just en- d was also marked with any significant events in the development of Indo-Soviet economic cooperation. The most important of them was the second meeting of the Inter-governmental Soviet Indian Commission on Economic, Scientific and Technical Cooperation held in the middle of September in Moscow. Established two years ago, the Commission has already become an effective instrument for arriving at quick decisions on current issues as well as determining the directions of, and drawing up the projects of, mutual cooperation.

Joint commission

In the course of the second meeting of the Joint Commission which was held in a businesslike atmosphere of mutual understanding, a number of highly important economic issues were discussed. The meeting chalked out a programme of further joint actions aimed at the implementation of the provisions of the important documents signed during the visit of Leonid Brezhnev to India last year. This visit, following the signing of the Treaty of Peace, Friendship and Cooperation, has become another historic landmark in the development of Soviet Indian economic relations.

The 15-year economic and trade cooperation agreement, signed at that time by Mrs Indira Gandhi and L. I. Brezhnev, as well as other documents, have given a fresh impetus to the development of economic cooperation between the two countries, which has now acquired a stable a long-term character and which will, as before, be concentrated in such key industries as ferrous metallurgy, power generation, oil production, agriculture and training of specialists.

A review of the work done during the past year shows that, thanks to the efforts of both sides, good results have been achieved, and that the provisions of the documents signed during L. I. Brezhnev's visit are in the process of implementation. Under the conditions of the existing energy crisis, a great deal of attention is being devoted by the two countries to intensify Indo-Soviet collaboration in oil and coal industries. For this purpose, in December 1973 and in January 1974, two teams of experienced Soviet experts headed by the minister of Coal Industry of the USSR, Boris Bratchenko, and the minister of Oil Industry of the USSR, V. D. Shashin, visited India.

New measures

As a result of the joint work of Indian and Soviet experts, new concrete measures were worked out to intensify geological prospecting and drilling for oil and gas, and to provide the most modern equipment to the Oil and Natural Gas Commission (ONGC). The progress made in the implementation of the techno-economic report on the development of India's oil industry during 1973-83 was also discussed. The implementation of the recommendations contained in this report will enable the ONGC to considerably increase the production of oil and gas by the end of the fifth five-year Plan period.

Coal projects

The USSR has also agreed to assist India in the construction of a number of coal projects. A team of Soviet specialists has, jointly with Indian experts, completed the feasibility report on the construction of two open-cast mines at Singrauli (Madhya Pradesh) and the underground coal mine at Raniganj (West Bengal), and has started working on a feasibility report on the construction of a coking coal open-cast mine and washery at Ramgarh (Bihar). The second meeting of the Joint Commission assessed the progress of work on the above projects.

Soviet and Indian organisations are at present engaged in working out technical documentation on the expansion of the Bhilai and Bokaro steel plants, each to a capacity of four million tonnes of steel per year. Detailed project reports have been completed and the division of supplies, as between the Indian and Soviet sides has been carried out regarding plate mill "3600" and continuous steel casting machines for the Bhilai steel plant and rolling mill "1400" for the Bokaro steel plant. The feasibility report on the expansion of the Bhilai plant to a capacity of seven million tonnes of steel per year is being finalised.

In the second meeting of the Commission concentrated attention was paid to the coordination of activities of the concerned Soviet and Indian organisations for the expansion of the Bhilai and Bokaro steel plants and for ensuring a further increase in the output of metallurgical, power and other equipment at heavy engineering enterprises in India.

On the basis of the initial data collected by a team of Soviet experts in January-February 1974, a detailed project report on the construction of a copper concentration complex at Malanijkhand (Madhya Pradesh) is now being prepared. The designing of the largest Indian oil refinery at Mathura, with an annual capacity of six million tonnes of oil, is in full swing.

In view of the decision on the development of production cooperation between the two countries, Soviet experts have collected initial data and are working out a feasibility report on the construction of an alumina plant in Madhya Pradesh with a capacity of 500,000 tonnes of alumina per year, which will be exported to the USSR.

A team of Soviet experts visited India in September and examined the possibilities of cooperation in the field of machine-tool manufacture. Questions pertaining to cooperation in other industries as well as joint ventures in third countries are also under consideration.

The second meeting of the Joint Commission decided to establish a special working group (within the framework of the Commission) entrusting it with the task of preparing suggestions in respect of production cooperation. For this purpose a team of highly experienced Soviet experts will be visiting India soon.

The implementation of the provisions of the Protocol signed at the end of the second meeting of the Joint Commission will without doubt lead to further strengthening and deepening of mutually beneficial ties between the two countries.

Non-ferrous metallurgy from the USSR

G. L. Kozlov

THE SOVIET Union which has sufficient reserves of bauxite, copper, lead, zinc, nickel and tungsten has been able to build up a large-scale non-ferrous metal industry capable of satisfying the rapidly growing need of the country.

According to the current five-year Plan, the output of non-ferrous metals will be 50 per cent higher in 1975 than in 1970.

The USSR shares its experience in non-ferrous metallurgy with developing countries and particularly with India for which non-ferrous metals constitute a vital sector in the scheme of industrialisation.

To meet her growing requirements India has to spend considerable foreign exchange for the import of non-ferrous metals as shown in the table below:

TABLE I

Imports of Non-ferrous Metals 1969-70—1973-74

year	Rs crores
1969-70	74·5
1970-71	119.4
1971-72	102.4
1972-73	109.1
1973-74	139.7

Source : Monthly Statistics of Foreign Trade,

In view of this, all efforts need be directed to increasing indigenous source of supply and developing the necessary technology to convert natural ores into useful metals.

The draft fifth five-year Plan envisages the expansion of existing units and setting up of new enterprises engaged in the production of aluminium, copper, zinc, lead and nickel—all in the public sector.

Bharat Aluminium

An important role in achieving self reliance in aluminium is to be played by the state-owned Bharat Aluminium Company (BALCO) which is responsible for the construction of two aluminium complexes in Korba (MP) and Ratnagiri (Maharashtra) with total capacity of 150,000 tonnes of aluminium every year.

The Korba Aluminium Complex which is based on bauxite deposits in the Amarkantak and Phutkapahar areas in Madhya Pradesh, and electric power from the Korba Thermal Power Station (Soviet assisted) is expected to produce 100,000 tonnes of aluminium metal per annum, including about 60,000 tonnes of aluminium semis i.e. rolled and extruded products and wire rods.

In accordance with the contract concluded between BALCO and Tsvetmetpromexport of the USSR, Soviet organisations have worked out the Detailed Project Report (DPR) of the smelter and fabrication facilities and have supplied a part of the electrolyzer, rolling and other equipment valued at nine crores of rupees.

The drawings of the aluminium plant were elaborated by MECON (with the participation of Soviet experts) which is designated to be the principal consultant to BALCO for its Korba smelter complex. Most drawings and documents for the first phase of the smelter have been completed. The first phase of the smelter will go on stream in March this year.

Indo-Soviet Pact

The 15-year Indo-Soviet economic agreement signed during the visit of L. I. Brezhnev, General Secretary of the CPSU Central Committee, to India in November 1973 envisaged, among other things further cooperation in non-ferrous metallurgy.

In pursuance of the Protocol of the Indo-Soviet Commission on Economic, Scientific and Technical Cooperation an export-oriented alumina plant, based on bauxite deposits of Balaghat, Sarguja and Mandla districts of Madhya Pradesh is proposed to be set up. BALCO entered into an agreement with Tsvetmetpromexport for the preparation of a feasibility report for the plant.

The feasibility report wherein maximum utilization of indigenous equipment is envisaged will be handed over by the Soviet technicians in March, 1975.

Copper had a very wide range of applications in Indian industry. The demand for copper and its alloys during 1973-74 was of the order of 83,000 tonnes, which is expected to go up to 105,000 tonnes by the end of fifth Plan period. The indigenous production of copper is meagre and, therefore, resort had to be taken to substantial imports from abroad (see table below).

TABLE II

Imports of Copper 1969-70—1973-74

Year	'000 tonnes	Rs crores
1969-70	46.5	47.4
1970-71	51.8	60.2
1971-72	56.2	51.2
1972-73	54.5	48.6
1973-74	42.8	N.A

Source : Monthly Statistics of Foreign Trade.

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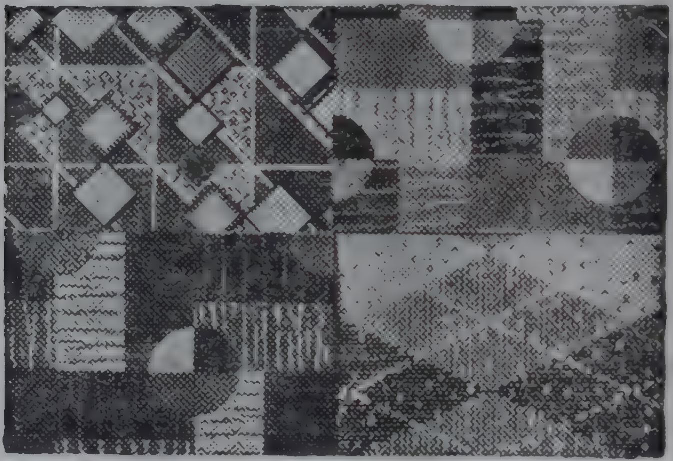

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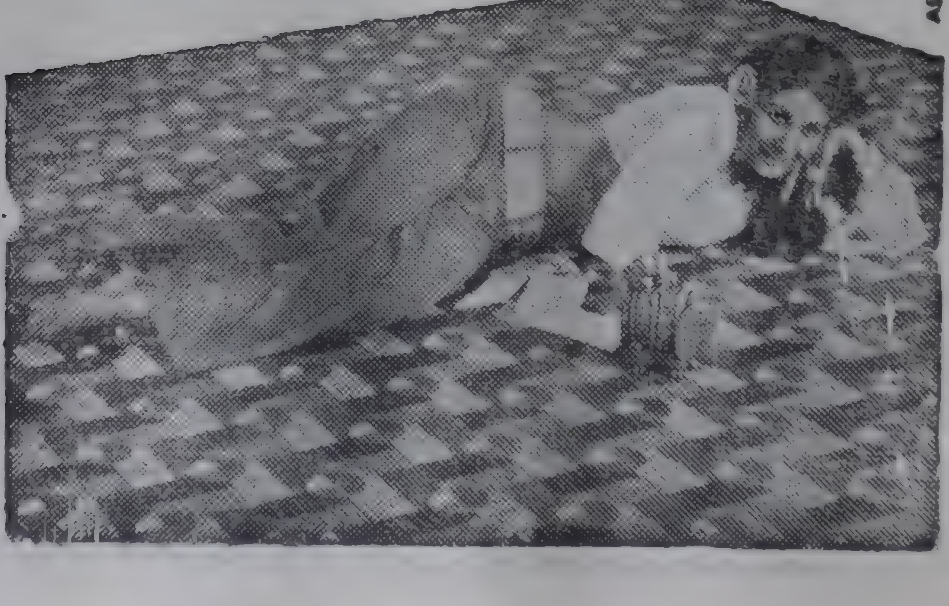

, a number of projects been taken up for deve- ent. As a result, the indi- us production of copper is y to be substantially in- sed by the end of the fifth period.

n addition to the copper lex at Ghatsila, in Novem- last the smelter at Khetri commissioned and was with first copper entrates.

nother ambitious copper ect is the Malanjkhand ect in Madhya Pradesh. Hidustan Copper Limited has signed an agreement with Tsvetmetpromexport of the USSR for the preparation of a detailed project report for the mining operations and the concentration complex at Malanjkhand. The deposits here are estimated to be 78 million tonnes and have a prospect of being considerably increased after additional surveying while copper content of the ore is rather high—1.06 per cent.

The DPR which will be shortly handed over by Soviet experts to the Indian officials provides for the annual production of three million tonnes of ore which is sufficient for obtaining 27,000 tonnes of copper.

Meanwhile, exploration through surface drilling has been taken up and steps are being taken for the development of infrastructural facilities.

Along with rendering assistance in the construction of the project the USSR supplies a number of non-ferrous metals to India under trade agreement. It might be of relevance in this context to mention that MMTC's imports of non-ferrous metals from the USSR constituted about 10 per cent of India's total imports in 1973-74 from that country. The imports included such items as zinc, copper, nickel, palladium and platinum.

Like other goods India buys non-ferrous metals in the Soviet Union without spending her hard currency (i.e. trade operations are settled in Indian rupees) and on balanced basis.

Two decades of purposeful cooperation

L. Klochkovsky

E THE signing of first -Soviet Economic Agree- t for the construction ie Bhilai Steel Plant on uary 2, 1955, the two tries have traversed a long fruitful road of coopera- Indo-Soviet friendship not only strengthened and nded but, as Leonid hnev observed, has ined a new content as a lt of the joint efforts of the et Union and India in the d arena. It can very well as an example of peace- oexistence of states with rent social systems, striving he promotion of peaceful, dly and mutually advan- ous contacts.

ndly assistance

he Soviet Union extended and of friendly assistance ndia in the most difficult important period of her nomic development. Of t significance is the et contribution to the elopment of the heavy stry which is the backbone he Indian economy. About ifferent industrial plants other projects have been t or are under construction ndia with Soviet assistance. se plants now turn out 30 cent of steel smelted in a, 80 per cent of the total allurgical and 60 per cent power engineering equipment, nearly one-third of oil products and 20 per cent of the total amount of generated electric energy.

The Bhilai Iron and Steel Plant—the first link of Soviet-Indian cooperation—achieved excellent results. Out of the first three public sector iron and steel plants, the Bhilai plant is the best in terms of the main indicators of performance. Metal from Bhilai is exported to may countries. The plant yields the country a stable annual income. The volume of its production has doubled over the past few years. Now Bhilai smelts about two million tonnes of steel a year, and it has been planned to increase its production capacity to four million tonnes of steel per year. Later, the capacity of the plant will be raised to seven million tonnes.

No less indicative is another joint project—the —Heavy Electrical Equipment Plant in Hardwar, commissioned five years ago. The plant today turns out sophisticated electrical equipment. In 1974, the plant started the serial production of turbo-generators with a capacity of more than 200,000 kilowatts. The first such turbo-generator has been supplied to the power station being built near Madras. On the whole the Hardwar plant will supply more than 50 per cent of equipment for the thermal and hydro-power stations under construction in the country.

The assistance of Soviet experts in developing the first Indian earth satellite, became an important trend in Soviet-Indian cooperation. In the near future the Indian sputnik will be put on a near-earth orbit with the help of a Soviet carrier-rocket. Flight control will be carried out by Indian scientists.

Bilateral trade

Mutually beneficial bilateral trade is yet another field of cooperation that has expanded considerably during the period. It is worth recalling that 20 years ago the annual turnover of Soviet-Indian trade was minimal but today it exceeds 600 million roubles. The Soviet Union has become one of India's main trading partners. It ranked first among the buyers of Indian commodities in 1972-73 and is one of the leading suppliers of goods needed by India.

The high development rate of Soviet- Indian trade is not a mere chance. It is determined by lofty and noble principles underlying close mutual relations: full equality of the two sides, mutual benefit and sincere desire of the USSR to render the Indian people disinterested assistance in their struggle for economic and social progress. The USSR supplies India with muchines and equipment, industrial raw materials and other goods needed by its economy. India covers the purchase of Soviet goods by the sale of her traditional goods as well as products of the young national industry. Now more than 50 per cent of Indian exports to the USSR consist of industrial goods, such as textiles, footwear, rolled stock, pig iron, surgical instruments, optical lenses and many other industrial items.

The Soviet Union trades with India on the most favourable terms. The prices of Soviet goods are comparable to those in the world market. Low interest credits are granted to Indian state organisations and private companies on favourable terms, to be paid off over a long period of time. The recent investigations of the Reserve Bank of India and the Indian Institute of Foreign Trade have shown that India trades with the Soviet Union and other socialist countries on much more favourable terms than with the non-socialist world.

There is every ground to think that economic ties between the USSR and India will go on gaining in scope and strength. The main trends in the promotion of these ties were determined during Leonid Brezhnev's visit to India in 1973. Broad vistas are opening for mutually advantageous trade. In accordance with the understanding between the two countries trade may double in 1980 as compared with 1973. The Soviet Union will go on rendering India all-round assistance in the development of its economy. The USSR will give assistance in the development of the key branches of the heavy industry (ferrous metallurgy and machine-building first and foremost), as well as power engineering, agriculture, geological survey and training of personnel.

At the same time, the necessary prerequisites are now being created for the establishment of long-term economic contacts between the USSR and India based on the cooperation of production and the organisation of effective division of labour. The agreement on cooperation between the USSR State Planning Committee and the Planni Commission of India is to pl a important part in this.

The further promotion Soviet-Indian contacts w serve the cause of strong friendship between the peop of the both countries and w make an effective contributi to peace and mutual und standing in Asia.

Economic ties with west Asian countries

V. L. Korneev

ONE OF the most characteristic features in the development of India's economic relations with foreign countries during the last few years has been a significant widening and deepening of economic ties with west Asian countries, especially Iraq, Iran and the United Arab Emirates (UAE).

Besides the political implications, the process of fostering economic ties with these countries has gained impetus during the last few years due to the necessity of finding an adequate and relatively low-priced source of crude supply to India—the problem which preoccupies a great number of governments in the world nowadays.

It is widely known that the import of crude is now the largest item of foreign exchange expenditure which drains the reserves of many developing countries including India.

Crude oil import

As indicated in the draft of the fifth five-year Plan, India is to import during 1974-75—1978-79 crude and oil products costing Rs 3080 crores constituting about 22 per cent of the value of India's imports during this period.

Thus, the purchase of crude oil on terms and conditions which currently prevail in the international markets adds a heavy burden on the import bill.

In this context, the development of mutually beneficial economic ties with the oil-producing states is of great importance and the government of India is understandably taking necessary and timely steps in this regard. While analysing the development of India's ties with oil-producing countries of west Asia, one may study the role of cooperation with socialist countries, and especially with the USSR.

According to press reports, Iraq is to supply to India during the next 12 years about 114 million tonnes of crude from North Roumeilla oilfields (which have been developed with Soviet technical assistance) for Mathura refinery which is being constructed with Soviet assistance.

Prospecting in Iraq

The Oil and Natural Gas Commission (ONGC) in India whose experts are now prospecting oil in Iraq was also set up with Soviet assistance. Under the supervision of Soviet scientists, engineers and foremen, over 8,000 Indian technicians have been trained in the complex science of oil prospecting and extraction. Today, the ONGC has at its disposal skilled manpower, research and design institutes, training establishments, production boards etc. All these enable the ONGC to play an important role in India's quest for crude. Quite recently it became known that the ONGC was taking part in oil prospecting in another west Asian country—Iran. India's economic ties with this country have been strengthened recently. The exchange of visits between Mrs Indira Gandhi and the Shah of Iran has promoted, to a great extent, the development of these ties.

According to the agreement reached in 1974 Iran is to supply annually to India 2.8 million tonnes of crude oil for Madras refinery. This figure will be increased to 3.5 million tonnes after the expansion of this refinery. Besides, Iran is to supply to India additionally one million tonnes of crude oil annually.

Mutual trade

All these agreements will lead to a substantial rise in the total value of India's imports from Iran which in 1973-74 increased by about 20 per cent as compared with 1972-73 and reached the figure of Rs 145.3 crores. At the same time the value of India's exports to this country in 1973-74 was only 2.9 per cent above the 1972-73 level which resulted in a formidable negative balance of trade at about Rs 120 crores. To reduce this deficit and at the same time to maintain the supply of crude from Iran (which constitutes about 95 per cent of the total value of India's imports from this country), India must increase its exports to Iran. In the implementation of this task, the supply of India's iron ore for metallurgical complexes in Iran (and among them for the metallurgical plant in Isfahan which was built with the Soviet assistance) will play a useful role. At present, the expansion of this plant with Soviet assistance to four million tonnes of steel annually is under consideration. This will cre good conditions for Indi supply of iron ore to Iran.

Besides the supply of ir ore India is to export to Ir 65,000 tonnes of rolled st and 120,000 tonnes of st rails. A substantial part these supplies will be met Bhilai Steel Plant which is n the largest active project Indo-Soviet economic a technical cooperation.

The beginning of 1975 marked with further develo ments in the strengthening India's economic ties with c producing west Asian cou tries.

The exchange of vic between Indian officials a visiting delegations of t main Persian Gulf countries the UAE and Bahrein showed a good prospect further progress in the de lopment of economic ties b ween India and these countri

UAE supplies

As it was stated after conclusion of talks betwe Indian and the UAE offici the UAE will supply India substantial quantity of cr oil on the most favoura terms. To pay for the p chases of crude from the U India is to increase its exp to this country. This task much facilitated by the U desire to collaborate with In in the development of ba industries. It is reported t India will assist the UAE the field of fertilizers, steel a cement plants and other an laries.

A team of the public sec

sign organisation Metal-rgical and Engineering onsultants (India) Ltd, IECON) visited Dubai in ly 1974 and submitted its udy report on the building of sponge iron plant with Indian ssistance.

In this respect it is worth ecording that MECON is also project of Indo Soviet eco-omic cooperation, and is imilar to the well-known oviet design institute ;YPROMEZ, with which MECON maintains close ties. On the basis of Soviet technical documentation, catalogues and standards MECON is now making designs for the building of metallurgical complexes both in India and abroad, including many west Asian countries.

As for the supply of metallurgical equipment for these plants a substantial part of it will be met by engineering plants built with Soviet assistance such as Heavy Machine Building Plant (HMBP) at Ranchi and Mining and Allied Machinery Plant at Durgapur as well as the Heavy Electrical Plant at Hardwar.

These plants constitute now the core of India's heavy engineering and are in a position to produce all kinds of equipment for the setting up of metallurgical plants almost without foreign assistance. For example, HMBP, when it reaches its full capacity, will be able to equip annually a steel plant for the production of one million tonnes of steel per year, which is equal to the production capacity of the first stage of the Bhilai Steel Plant. And in future the capacity of HMBP is to be doubled.

Thus, there is enough evidence to show that Indo-Soviet economic cooperation is not only a factor in achieving self-sufficiency by the Indian economy, but also helpful in the development of its export potential to cope with the current energy crisis.

The saga of Indo-Soviet collaboration

NDIA AND the Soviet Union stablished diplomatic relations on April 13, 1947. It vas hailed as a historic tep in both countries. The *Hindustan Times* said then hat "the present stage is the beginning of a lasting and ruitful friendship between he peoples of India and the USSR" and the Soviet weekly *New Times* characterized it as an event of "international significance", and observed that "India is moving towards an independent policy."

The period 1947 to 1955 was momentous for the world and India. Then came the 955 Bandung Conference and the enunciation of the *Panchsheel* principles. At Bandung one of the major declarations of the developing countries was on the need for a vigorous struggle for economic independence.

Panchsheel spirit

Earlier, in July 1954, *Pravda* had welcomed the *Panchsheel* principles, when they were first proclaimed. It commented that ".... these important principles... would diminish the possibility of war, serve to alleviate tension in world community and improve the valuable cooperation between the countries." Soviet support for India's policy of non-alignment and the *Panchsheel* principles became a firm foundation for Indo-Soviet relations.

Thus it was in the struggle for peace and progress, and for a new international order that the foundations were laid for Indo-Soviet friendship and cooperation. In 1953 a trade agreement was signed between the two countries which sought to raise mutual trade exchanges.

But it was the economic agreement of February 2, 1955 for the construction of the Bhilai steel plant which opened up a new vista of relations between the two countries. What thus began at Bhilai was not only the beginning of Indo-Soviet cooperation, but also of the absorbing story of India's industrialisation.

Soviet-aided projects

Today about 80 major projects have come up or are coming up in the country through Soviet cooperation. India has emerged as one of the top ten industrial nations of the world and has achieved self-reliance in many vital sectors of the economy. To this extent, it has advanced its economic independence and its prestige in the comity of nations.

And yet, in 1951, when India launched its first five-year Plan, the country was tied to the capitalist world, which continued to treat India as a raw material appendage and a market for export of its goods. However, India undertook a vast historic task to change the life of its people. From its very inception, Indo-Soviet economic cooperation was geared to India's economic development programme, which carried new provisions on trade, mode of payment, industrial collaboration, transfer of know-how, the training of specialists and skilled manpower both in the USSR and at Indian projects, development of technical consultancy and various other measures, all designed to help India to rapidly develop its economy and attain the goal of self-reliance.

Total credit

Including the credit for India's fourth five-year Plan, the Soviet Union has so far provided a total credit of Rs 1,002 crores. About 80 projects have been built or are under construction and designing with Soviet assistance. These projects form the hard core of the public sector which has grown in size steadily during the years of planning and development so that today it has not only become a powerful factor in the Indian economy but also sets the pace for further growth. Above all, it is the only sector of the economy promoting scientific and technological development.

Soviet assistance to India has been largely directed to the development of basic industries such as mining of raw materials, ferrous and non-ferrous metals, oil and power, heavy machinery, drugs and pharmaceuticals, precision instruments, as also to the development of agriculture, science and techology. In all these fields, India has already reached a high level of development.

Substantial share

The share of the projects in the core sector constructed with Soviet assistance is already substantial—30 per cent in steel production, 50 per cent in oil extraction, 30 per cent in oil refining, 20 per cent in power generation and 80 per cent in metallurgical machinery. The Soviet contribution to the development of non-ferrous metals, drugs and pharmaceuticals, power equipment and others is also substantial.

Steel production is described as a barometer of a country's progress. But in 1955 India's production was only 1.5 million tonnes. Today out of the five integrated steel plants in the public sertor, two are assisted by the USSR. They are also the biggest. The Bhilai Steel Plant alone is producing one-third of the total steel output of the country today and it is the most efficient of the steel plants. The Bokaro steel plant, which is the second to come up with Soviet assistance, has already produced 1.5 million tonnes of hot metal. It will be India's biggest steel plant. The growth of these two plants has enabled the country to save hundreds of crores of rupees by cutting down imports. Bhilai has earned hundreds of crores by the export of its products, while Bokaro has exported pig iron worth Rs 12 crores already.

Bhilai, now of 2.5 million tonne capacity, served as a training ground for the future metallurgists of India. Today it is the Bhilai-trained metallurgists who are guiding the growth of India's steel industry. More than 800 Indian engineers of the plant were trained in the Soviet Union.

Under the agreement of June 3, 1972, further expansion of Bhilai to four million tonnes has been undertaken. This includes the construction of a converter shop, continuous steel casting machines and plate mill "3600", which are the most modern metallurgical machinery. Production of plates at Bhilai will be of momentous significance to the growth of shipbuilding, defence, machine-building and other industries.

Bhilai plant has made a significant impact on the region, and to the economic and social development of Madhya Pradesh. When expanded to seven million tonnes, the plant will have a great influence on the development of the region.

The Bokaro steel plant, which is coming up with Soviet credit and technical assistance under an agreement of January 1965, has already reached the completion of the first stage of 1.7 million tonnes per year. Pig iron production began in October 1972 and steel ingots in December 1973. With the commissioning of the hot strip mill, expected in 1975, Bokaro will be able produce flat steel products. This is expected to make a substantial difference to the steel supply position in the country.

The Bokaro plant is the last word in steel technology. It has been given the latest of everything the USSR has got. Unlike Bhilai, Bokaro uses the oxygen converter method of steel making which is more economical and productive,

To Bokaro goes the prestige that it is largely an indigenous plant, and it is a tribute to the skill of Indian engineers and workers trained in the Soviet Union, and the enterprise of other public sector projects, which have provided equipments and materials to Bokaro, that the Bokaro plant has not only reached rated capacity but has already set up records in production. Above all, Indian-made equipments have proved their quality test at Bokaro.

Commissioning of the various units at the second stage of Bokaro, which will ensure production of four million tonnes, will be completed by March 1977, according to present estimates. Bokaro is already the biggest supplier of pig iron to the foundaries of India. The production of tinned sheets i expected to accelerate the growth of canning and othe agro-industries.

Thus, out of the targe of 17.5 million tonnes of ingo steel by the end of the fift Plan period, Bokaro an Bhilai alone will contribut eight million tonnes.

The decision to expand the capacities of Bhilai an Bokaro steel plants to seven and ten million tonnes respectively was a momentous one. It meant, in effect, doubling the capacities of both, a stupendous task by any reckoning.

At this stage the two plants are expected to activate the growth of a vast infrastructure that boggles one's mind to think. Mr. K. C. Khanna, the Managing Director of Bokaro, feels that Bokaro heralds an "industrial explosion" in the Ranchi, Bokaro Dhanbad and Durgapur belt. He is of the openion that the

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wer development is a ıous process to be closely d to the growth of try and agriculture, Thus, ecognised that long-term ing of power develop- is an imperative need.

t the time of Indian in- ndence, the country had wer generation capacity nly 2.3 million kw. And was no power industry h the name. During the s of planning and deve- ment 16.6 million kw er generation capacity was d and a power industry a built up.

er industry

ndo-Soviet cooperation e a substantial contribu- to the growth of India's er supply and to the tion of a power industry le Soviet assistance to set ive thermal (Neyveli, Korba a, Patratu, Harduaganj.) five hydro (Bhakra Right k, Hirakud, Mettur, Bali- a, Lower Sileru) power ions. of a total capacity of rly three million kw, made ignificant contribution to ver development in various es. Soviet cooperation to up India's premier power ipment plant at Hardwar h a capacity to produce rly equipments to generate million kw of power was momentous importance the country's progress. out 200 engineers of this nt were trained in the viet Union.

Since the plant has been npleted in 1967, it has duced six 100 MW sets six 200 MW sets. From 5, it is expected to produce rly seven 200 MW sets, as o small hydro-sets and a iety of large motors and essories. It will meet 50 cent of the demand for wer equipments during the h five year Plan.

The Hardwar Heavy Elec- cal Equipment Plant has India on the power map the world by producing h large turbo-generators ich only few countries can produce today. The plant has mastered the technology of the 200 MW sets and is now pioneering the development of the 500 MW sets. It is pertinent to point out here that a 200 MW power station can light a town of a million population.

The Bharat Heavy Electricals Ltd, the apex organisation, is not only producing today all types of power equipments, but also equipping atomic power plants, providing oil drilling rigs and other highly sophisticated items. It is now going into erection and maintenance of power plants, for which special cadres of engineers are being trained in the Soviet Union. This is expected to reduce the period of construction to half.

Today India has reached self-sufficiency in power equipments and has in fact begun a modest export programme. Both in India and abroad, the power equipments produced in India on the basis of Soviet know-how have proved their worth.

Pioneer industry

Another major effort of BHEL is directed to develop the MHD generator (Magnetohydrodynamics) in collaboration with the Soviet Union which is the pioneer in this field. The MHD method produces power using hot-coal gas, a process highly economical compared to the traditional methods.

The oil crisis and the steep rise in the price of oil products have made India turn to rapid coal development. This is of crucial importance for the further development of the country. In this task the Soviet Union has promised all-round assistance to India.

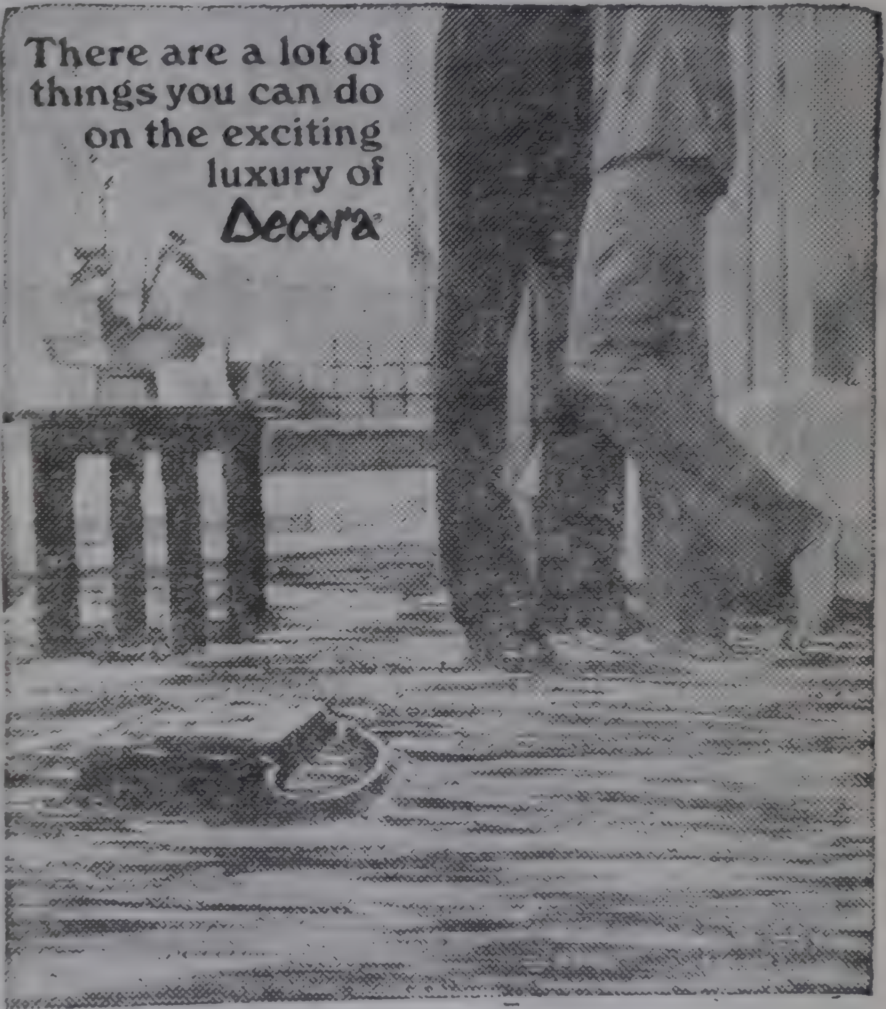
Soviet assistance for the development of India's coal industry began in the early sixties. Back in 1962-68 the Soviet Union helped India to build several large coal enterprises: the Banki and Surakhachhar underground mines, the Manikpur open-cast mine in Madhya Pradesh, the Kathara coal washery, a mining equipment factory in Durgapur, and the Central Electrical and Mechnical Workshop in Korba to repair and service mining equipments.

New agreement

A new agreement was signed in December 1966, which provided for further development of cooperation between the USSR and India to build five open-cast mines with an annual capacity of 6.5 million tonnes of coking coal to meet the needs of steel mills in Bokaro and Bhilai. This agreement is being implemented now.

India has huge resources of hard coal running into 130,000 million tonnes, with some 13,000 million tonnes being coking coal. Whereas at present India produces nearly 90 million tonnes of coal a year, in 1978-79 the output is to go up to 135 million tonnes.

At present the Central Design Institute in Ranchi is already carrying out, with the help of Soviet specialists, design work on developing coal deposits in Singrauli and Raniganj. Under the new agreement, the Soviet Union will render technical assistance in building two open-cast mines with an annual capacity of 8-10 million tonnes each at the Singrauli coalfield, and two highly mechanised mines, which together will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produce annually 5.2 million tonnes at the Raniganj coalfield. The new mines are to be equipped with some powerful Soviet mining machinery.

The expansion of the steel plants by 1978-79 necessitates the rapid development of coking coal. Thus, development of coking coal deposits in Ramgarh, (Bihar state), situated near the Bokaro Steel Plant, with Soviet assistance, is being undertaken, It is planned to build at these coal deposits an open-cast mine to produce 3.0 million tonnes of coking coal a year.

Apart from designing and construction of open-cast and deep mines, India will receive Soviet assistance in surveying coal deposits in the Mirzapur area (Uttar Pradesh). The Soviet Union will also provide further training to Indian engineers at Soviet open-cast and deep mines and at research institutions. The Soviet Union is also providing India technology for deep open-cast mining upto a depth of 400 metres.

The Coal Mining Machinery Plant at Durgapur (West Bengal was set up in cooperation with the USSR to manufacture 45,000 tonnes of various items of coal mining machinery. It is the country premier plant in this field and is capable of meeting the entire demand for sophisticated mining epuipments.

Because of slack demand in the earlier years for coal mining machinery, the plant has diversified its production. It has already established a good reputation for the manufacture of material handling equipments for ports and large plants. With the nationalisation of coal mines and the new drive for faster coal development, the plant expects to use 75 per cent of its capacity to produce mining equipments. However, it is expected to carry on production of some of the new lines of products it has already developed recently.

With its modern engineering works, design facilities, technical know-how and highly trained personnel, the Durgapur plant is capable of manufacturing equipment for other major industries such as steel, power, and fertiliser as also for ports. To Bokaro steel plant itself it has supplied over 14,000 tonnes of equipments.

Oil prospecting

Cooperation in oil industry occupies a special place in Indo-Soviet economic relations. It began from the very inception of India's quest for oil, when the Soviet Union sent the first oil delegation under Prof. Kalinin to make a report on India's oil prospects.

The Soviet Union has rendered technical assistance to India's oil industry by de vering prospecting, bori and other oil equipments, sending oil specialists, doing research, designi and prospecting and training Indian specialists.

The Soviet Union h. helped to set up two oil r fineries of three million tonn capacity each, the Barau and Koyali refineries, and now providing assistance t set up India's biggest refine at Mathura of six millio tonnes capacity. Thus out o the eight refineries in th public sector, already built o being built, three major ref neries have received Sovi assistance. The constructio and operation of the Koyali an Barauni refineries created th nucleus of the public secto refining industry and helpe to train up the initial cadr of Indian specialists in refin ing. The Soviet Union h offered recently technic assistance in energy conserv

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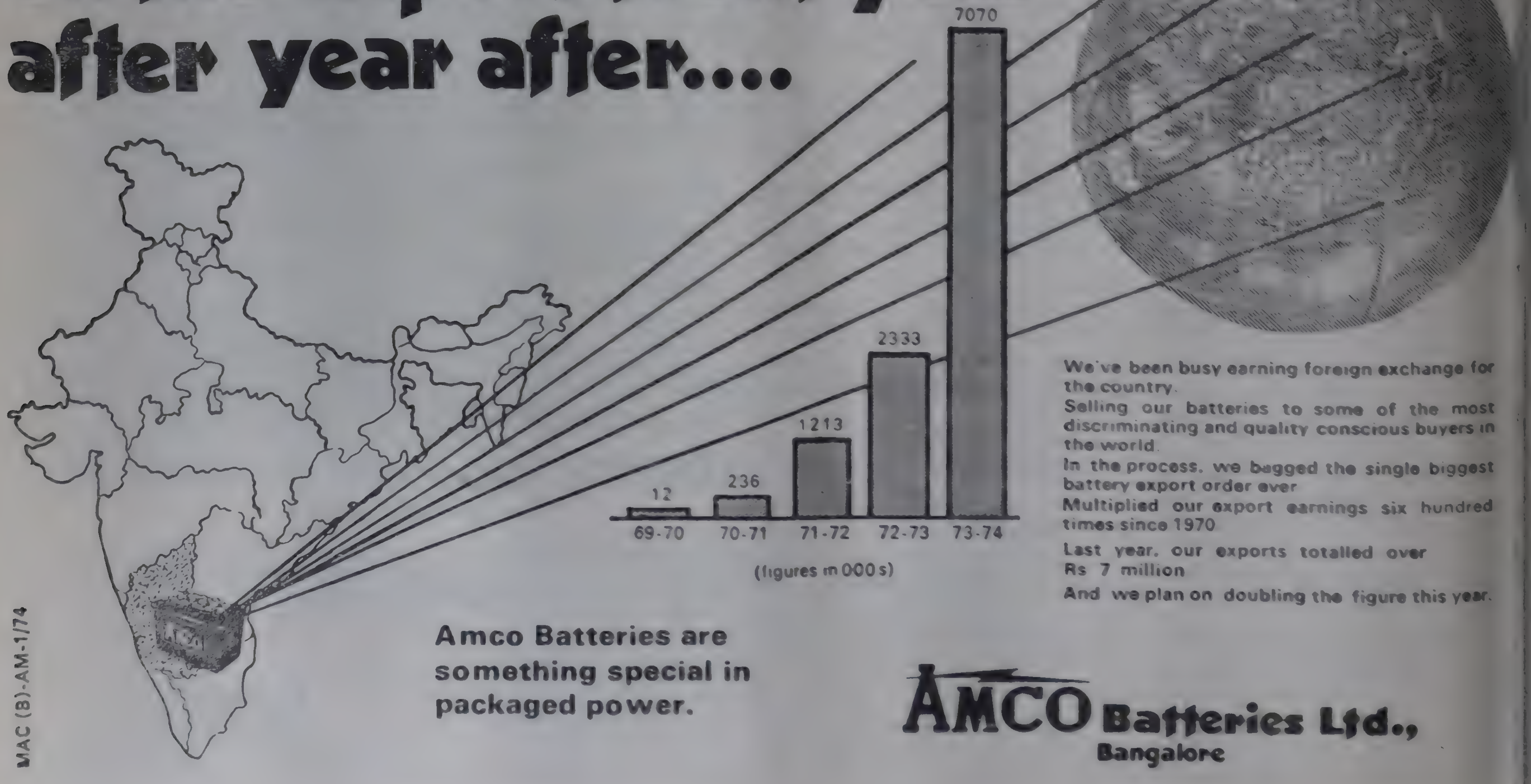

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, augmentation of capa- improvement in product erns, and improvement in service factor of the ieries.

The Soviet Union has also vided assistance to set up oil institute at Baroda.

Since oil and gas were ıck in Cambay in 1958 re than 160 structures and oil and gas deposits have n found in India. In May 0 the first well in Anklesh- r yielded oil. The amount drilling done in prospective as has topped the two llion metre mark during the rs of cooperation. Per tre drilling rate is the eapest in India. The majo- y of the deposits discovered ve been put into operation d are being exploited on an -to-date technical level ich ensures high efficiency. the beginning of 1974 nual oil extraction at the terprises belonging to the l and Natural Gas Com- ssion reached 4.1 million nnes. Since then the annual e of extraction has been pped up. Including the nt sector, in 1974 the pro- ction of crude was of the der of 7-8 million tonnes d the two sectors have dis- vered a reserve of 175 llion tonnes so far.

int reports

In 1970-71 a group of viet and Indian specialists epared a techno-economic port on the complex develop- nt of the Indian oil indus- for the period 1971-75. is has been approved by the vernment of India and is ng implemented at present.

India is rich in oil and tural gas, with a prospec- e area of some 1,600,000 uare kilometres. The incre- in the survey work of the st prospective Assam-Arakan d Tripura sedimentary basins xpected to raise the level oil production substantially. at is why under the new reement with the USSR in- sive exploration work will undertaken. Already, good deposits have been discovered in Galaki (Assam) and Tripura. According to the ONGC, crude production for the whole country is expected to reach the level of 15 million tonnes by 1978-79. Of course, this will be short of self-sufficiency and hope is now pinned on Bombay High where the first exploration was carried out by Soviet specialists.

The Soviet Union has recently agreed to assist India with special drilling rigs and equipments for raising the rate of exploration and extraction.

On the oil map

The development of India's oil industry largely through Soviet assistance, has put India on the oil map of the world. Today India is offering know-how in oil technology to foreign industry. Soviet assistance in the design and production of these equipments ensures their rapid development.

The rapid development of non-ferrous metals (copper, aluminium and zinc) is crucial to the further development of Indian industry. However, this branch of industrial development has remained comparatively backward and India spends considerable foreign exchange on importing non-ferrous metals. Happily, India is well placed in the case of bauxite, the main raw material for aluminium with a share of 10 per cent of world resources.

The decision to expand the aluminium industry in the public sector was taken in the sixties. Of the two aluminium plants which the Bharat Aluminium Company (Balco), the public sector undertaking, is setting up in the country, one at Korba and the other at Ratnagiri, the former is to serve as a basic unit of the non-ferrous metallurgical industry.

The Korba aluminium plant, assisted by the USSR and Hungary, will not only train a cadre of specialists for the aluminium industry but also carry out researh and development in this field. A training centre is being set up at Korba to train 100 technicians per year with the assistance of Soviet specialists.

The first complex of the plant, with the Hungrian assistance, produces 200,000 tonnes alumina per year, and the second complex (the smelter and fabrication units) coming up with Soviet assistance, will produce 100,000 tonnes of aluminium products per year. The smelter unit is expected to be completed in stages of 25,000 tonnes (in four stages) before the end of 1975. By 1976 Korba is expected to go into full production. Production has already started at Korba.

The Soviet Union has also offered assistance to set up a 500,000 tonne alumina plant in Madhya Pradesh. The entire production is expected to be sold to the Soviet Union. This is one of the "production-cooperation" projects, envisaged in the 15-year economic agreement between the two countries signed during the visit of L.I. Breznev. to this country.

The Soviet Union is als helping India to develop on of India's largest copper depo sits in Malanjkhand (Madhy Pradesh) under an agreemen signed in October 1973. Th deposit was discovered in 196 and was noted for its high cop per content. The reserves ar estimated at 850,000 tonnes o copper.

The Malanjkhand benefica tion plant will be the mos advanced entreprise in thi field in India designed accord ing to the most modern tech nology. The plant is expectec to porduce 30,000 tonnes o copper a year, which will go a long way in meeting India's growing demand for copper.

Tne Surgical Instruments Plants, Madras; the Synthetic Drugs Plant, Hyderabad; the Antibiotics Plant, Rishikesh, all built with Soviet assistance, play today a major role in the drug industry of the country. The Surgical Instruments Plant,

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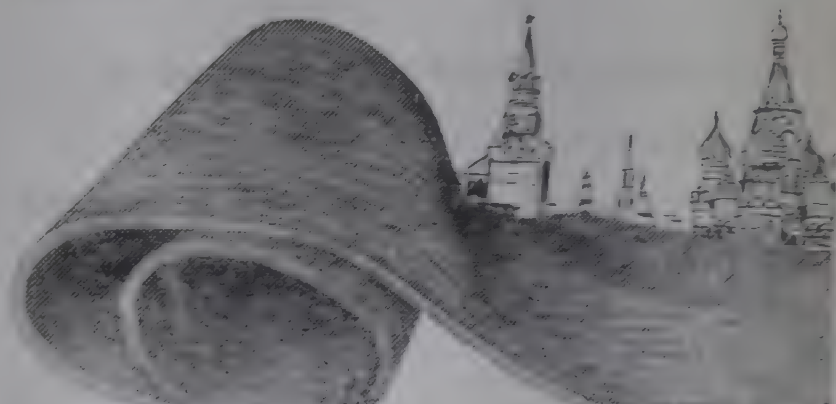

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with an annual production capacity of 2.5 million pieces, covering a wide range of instruments in the fields of general gynaecological, ophthalmic, ENT, dental and neuro-surgery, is able to meet today the country's demand for most of the sophisticated medical instruments. The Synthetic Drugs Plant, designed to produce over 850 tonnes of drugs and vitamins, is already playing a major role in India's economy. Eighteen types of drugs turned out by the plant are among the most important used in modern medicines. Apart from producing such vital drugs to combat tuberclosis, epilepsy and liver diseases, the plant produces folic acid important in the treatment of radiation and post cancer complications.

The Antibiotics Plant naturally plays a crucial role in the fight against deadly diseases. It is designed to produce 290 tonnes of antibiotics yearly such as pencillin, streptomycin, dihydro-streptomycin, chlortetracycline, oxytetracycline, tetracycline and nystatin, It has already reached the rated capacity.

The plant has made a major contribution by putting in the market low-priced life-saving medicines. A case in point is the fall in the price of tetra- and oxytetracycline capsules which used to sell at exorbitant prices. Rishikesh unit keeps prices steady in spite of the steep rise in raw material prices.

The Soviet Union has provided the plant unit with the available know-how free of charge and has a continuing agreement to pass on all the latest innovations in technology. Under this programme, during 1973-74, the USSR deputed a specialist to the plant to pass on the latest strains of tetracycline, oxyteracycline and others, and they have been successfully introduced.

During the fifth Plan period, it is proposed to expand both the antibiotics plant and the drugs plant with Soviet assistance costing over Rs 40 crores. The capacity of the antibiotics plant will be raised by another 171 tonnes, while that of the Hyderabad plant will be raised to 2,000 tonnes from the present level of 1,400 tonnes. This would mean adding two or three units. With these expansions, the Indian Drugs and Pharmaceuticals Ltd. will have a share of 50 per cent in the medical industry of India.

Of the many giant industrial projects which have come up with Soviet assistance pride of place should go to the Heavy Machine - Building Plant (HMBP) at Ranchi, the "plant of plants", producing heavy machinery and equipment for a variety of industries, including the strategic industries. It may be recalled that India had no plant to manufacture heavy machinery and equipment in 1947. The plant originally designed to manufacture machinery and equipments to equip a million tonne steel plant per year, has diversified its production since then. With an annual capacity to manufacture 80,000 tonnes of heavy equipments and machinery, it produces today blast furnace equipment, coke-oven equipment, all types of rolling stock, electrical overhead travelling cranes of different capacities, crushing and grinding machinery, and excavators. In fact, it has a surplus capacity at present, and India and the USSR are examining the possibilities of utilising this surplus capacity to aid development of third countries. Since 1966, it has been the major supplier of machinery and equipment to Bhilai and Bokaro steel plants, electrolysers and other equipments for the aluminium plant at Korba, and will equip the medium steel plants proposed to be set up soon. It is also supplying equipments to the Durgapur Mining and Allied Machinery Corporation, the Heavy Electricals Ltd, TISCO, and others, as also drilling rigs to the ONGC. It will also supply equipments to the major underground railway projects in the country.

Courtesy: Information Department of the USSR Embassy in India.

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TRADE WINDS

do-Pak Trade Pact

DIA AND Pakistan signed in amabad on January 23 a ade agreement and a memo- ndum of understanding in- rporating, among other ings, banking arrangements tween the two countries. is was in pursuance of the mla agreement of July 2, 72, and the trade protocol November 30, 1974, signed the two countries. The greement comes into force ith immediate effect. It ill be valid for one year and extendable by a further eriod of two years.

In pursuance of the mem- andum of understanding tween the two governments, presentatives of the State ank of India and the National ank of Pakistan have signed e working arrangements for mittance facilities between e two countries in regard to ade. The Indian delegation cluded representatives of e ministries of Commerce, xternal Affairs and Finance, e State Bank of India and e State Trading Corpo- tion. A meeting between the dian trade delegation and rious Pakistani organiza- ons concerned with foreign ade at Karachi on January 4 considered visits at the vel of public sector corpo- tions to facilitate closer exa- ination of mutual business terests and commercial con- acting. The Indian dele- tion also discussed with akistani officials the possi- ility of trade in rice and otton.

ood Pact with USA

India is likely to get 300,000 onnes to 500,000 tonnes of odgrains under PL 480 in e next US fiscal year starting in July next. Meanwhile, the hurdles in the way of concluding an agreement for the supply of a similar quantity in the current fiscal year have been cleared. According to Mr C. Subramaniam, union Finance minister, an agreement is expected to be signed within the next few weeks. Mr Subramaniam, who returned from the USA on January 22, after discussions with the US authorities and the World Bank and IMF officials, said the US government had now agreed not to insist on certain restrictions in regard to the foodgrain deal. Initially, the USA wanted to place some restrictions on the utilisation of sale proceeds of the foodgrains and also ban export of foodgrains by India.

Mr Subramaniam said India regarded such restrictions as "unnecessary." It was explained that India had an obligation to return in kind the wheat lent to it by the Soviet Union. It was argued that the USA should not insist on such restrictions when it had not placed constraints on other forms of assistance. The payment for the purchases, in dollars, will be on soft terms; two per cent interest in the first few years and 2.5 to 3 per cent in subsequent years.

Indo-US Trade Panel

India and the United States have agreed to establish a joint business council to promote direct contacts between their business sectors, including the public sector enterprises in India, in industrial and commercial projects of high priority. The decision was taken by the economic and commercial sub-commission of the Indo-US Joint Commission which concluded its two-day meeting in Washington on January 21. This is the first time that the United States has agreed to promote trade and joint enterprises and other forms of economic cooperation with a non-communist country.

So far, except with communist countries, it had left trade in the hands of the private sector. On previous occasions, the US government had taken the stand that it had little to do with trade interests and India would have to approach the US private sector on its own. Both the governments, in cooperation with the proposed joint business council, will actively cooperate to improve the climate for American investment in India. The two sides agreed to hold talks within the next few weeks on a possible double taxation treaty. The progress made by the subcommission underscores a new stage in Indo-US economic relations based on in a wide range of activities in trade, agricultural inputs, taxation, investment and industry. Indian officials will provide a list of non-traditional products with potential for increased exports to the United States.

Financial Writers' Meet

The second international seminar of economic journalists which concluded its deliberations on January 29, in New Delhi, called for a "global frame" to solve the problems arising out of inflation and the high cost of energy. A statement, adopted by the 100-odd economic journalists from 24 countries attending the seminar, said that the crisis would deepen if each country looked to only its own interests.

The statement said that the ultimate solution lay in building up a "mutually reinforcing pattern of co-operation" based on the "optimum utilisation of the monetary, scientific and technological resources of the industrial nations, a part of the monetary surpluses and natural resources of OPEC countries, and of the raw materials and human skills from other developing countries." This triangular approach would have to be supported by an improvement in the terms of trade of the developing countries and compensatory transfers of capital to help them meet the immediate burdens.

During its six-day deliberations, the seminar was addressed by a number of prominent persons, including Mr Claude Cheysson of the European Economic Community, Mr Ahmed Kouross, Iran's deputy minister of Economy, Dr K.B. Lall, India's envoy for economic affairs in Europe, central ministers and heads of leading Indian institutions and business houses.

UNDP Aid for Power Projects

The United Nations Development Programme is assisting this country in its two power projects, which are designed not only to augment the existing capacity by possible use of geothermal energy but also to increase the efficiency of the national grid. It is expected that, by 1979, the required plant capacity will be about 40,000 MW, double than the present capacity. Although the central and state governments are designing and constructing thermal, hydro-electric and nuclear plants to cope with the growing demand for power, geothermal power as a source of electrical power is sought to be pressed into service to decentralise power distribution.

So far, 250 thermal spring localities have been identified by the Geological Survey of India, with Uttar Pradesh and Maharashtra having sizable geothermal power resources. As the cost of power generation with conventional thermal plants in these states is high involving long distances for transportation of coal, it is necessary to determine the economic viability of geothermal power.

Fall in World Rice Production

World rice production in 1974—mostly for consumption in 1975—declined by three million tonnes to 319 million tonnes, the Food and Agriculture according to Organisation (FAO). The main cause was unfavourable weather, in south Asia, the major rice producing region. The entire shortfall was concentrated in importing countries while exporting countries increased their production. The FAO inter-governmental group on rice had a week-long meeting with participation of rice experts from 40 countries. The group concluded that with world export availabilities larger than in 1974, and part of the import demand diverted to less expensive cereals, such as wheat, the export supply and import demand situation for rice in 1975 seemed to be more in balance than in the previous two years. However, world reserve stocks of rice were unlikely to be replenished to any appreciable extent this year.

Scientific Cooperation with Soviet Union

The Soviet Union and India have worked out a long-term programme of scientific cooperation for 1975-80 which will open up a vast vista of joint research. Mr L. Yefremov, First Deputy Chairman of the State Committee on Science and Technology of the Soviet Union recently said, the programme "specifies the field of science and technology where cooperation can produce practical benefit for both India and the Soviet Union." The programme envisages cooperation in producing chemical products, liquid fuel and synthetic gas from coal. In the field of light industry, Mr Yefremov said, the two countries would cooperate in the production, mixing, processing and dyeing of synthetic and natural fibres and fabrics as well as in the utilisation of waste matters and the processing of hides and skins. Regarding cooperation in non-conventional energy, Mr Yefremov indicated cooperation in the use of restorable sources of energy, such as solar and geothermal energy.

Stressing the importance of agriculture an hydro-power development, he pointed out, the cooperation in this field envisaged transfer of water from one river basin to another. Soviet and Indian engineers would pool their efforts in designing industrial and other projects in tropical and highly seismic conditions as also in the development and application of new building materials.

World Bank Raises Lending Rate

The World Bank announced on January 23 that it had increased the rate of interest charged on loans to its borrowers from 8 per cent to 8.5 per cent per annum. The increase affects loans committed by the bank on or after February 1.

India - Hungary Trade Protocol

India and Hungary signed a trade protocol recently at Budapest providing for an overall turnover Rs 81.5 crores. Indian exports under the protocol will be around Rs 40 crores and Hungarian exports around Rs 41.5 crores. Apart from the traditional items such as groundnut oilcakes, paper, coffee etc, the protocol provides for export of several non-traditional goods from India such as mild steel tubes and fittings, tinned-fruit juices, confectionery, chemicals and engineering products such as air compressors, dry cell batteries and hand tools. Imports from Hungary will include steel and steel products, chemicals, drugs and medicines, high pressure gas cylinders, machine tools and conveyor belts.

Indo-Polish Collaboration

India and Poland signed on January 24 a protocol giving a new dimension to the economic cooperation involving sophisticated technology. Under the protocol a programme is being drawn up by the two side for supplies of equipment and drawings by India for the expansion of the coke oven units in Polish steel plants. The protocol, outlines cooperation between the two countries in mining industry and machinery, fisheries, agriculture, shipbuilding, shipping, electronics, heavy and machine building industry. Poland will be importing more Indian machinery and equipment, and has agreed to help India set up a trawler construction yard, and supply 300,000 dwt of ships, including one bulk carrier and two product carriers. Poland also agreed to consider possibilities of placing orders for hulls on Indian shipyards according to Polish specifications, castings and forgings, EOT cranes, flat bogies and cable machinery. The two sides agreed to consider transfer of technology and trade in electronics. Poland is also to help India in mining, coal industry, metallurgy, organic intermediates. pesticides, molecular biology and irrigation.

Rs 50-crore Annual Plan for Delhi

The Plan outlay for the union territory of Delhi for 1975-76 has been fixed at Rs 50.50 crores against the current year's outlay of Rs 45 crores at a meeting between the Chief Executive Councillor, Mr Radha Raman, and the Planning Commission. The central assistance remains unchanged at Rs 41 crores. Delhi had been allowed to increase its internal resources from Rs 4 crores in the current year to Rs 10.50 crores in the next year. The commission had approved the Plan outlay of Rs 49 crores for the next year and had agreed that the savings of Rs 1.50 crores to Rs 2 crores from the current year should be carried over to next year. The Delhi Administration plans to give priority to the generation of power, irrigation facilities, small industries and improvement of slum areas.

Textile Exports Go Up

Textile exports have hit a record figure of Rs 330.39 crores, in the calendar year 1974 against Rs 226.36 crores in 1973. According to figures released by the Cotton Textile
Export Promotion Council, t
volume of piecegoods export
has actually gone down fro
631 million sq metres in 19
to 481 million sq. metres
1974, but because of price i
flation earnings from piec
goods have shot up from
137.58 crores to Rs 164.
crores. In the ready-ma
garments there has been
spectacular increase from
47.64 crores to Rs 88.
crores. Hosiery exports ha
also jumped from Rs 1.
crores to Rs 4.97 crores, whi
other items have fetched
51.96 crores against Rs 26.
crores. Yarn exports contr
buted Rs 20.80 crores fro
12.6 million kg against
13.07 crores from 11.9 millic
kg in 1973.

HMBP's Record Production

The Heavy Machine Buil
ing Plant, a unit of the Hea
Engineering Corporatio
Ranchi, touched a new high
the production of mechanic
equipment. Its cumulati
production of equipment a
structurals during this fina
cial year (April to Decemb
1974) is worth Rs 359 milli
against Rs 240 million over t
corresponding period last yea
A notable feature of the cu
rent production is that t
plant is clearing up its bac
log of pending orders.

The revamping of t
28" bar mill at the metal a
steel factory, Ishapur, doubli
its capacity from 25,000 to
nes to 50,000 tonnes of asso
ed sizes of alloy steel billets h
been executed. The plant h
completed supply of all equi
ment for the slitting and tri
ming line for Indian Alun
nium Company for their pla
at Taloja near Bombay. Bo
the jobs were taken up
turn-key projects and
equipment was designed by t
plant's engineers. It has al
executed the order for soph
ticated equipment for t
cold reversing strip mill
quired by Advance Mills
Ahmedabad. The mill is d
signed to turn out 1 mm thi
(minimum) stainless st
strips to be used mostly

d processing units and in king utensils.

nother achievement is the npletion of the assembly the magnet for cyclotorn the Bhabha Atomic search Centre, Calcutta. e magnet frame weighs 262 nes and comprises yoke bs, pole pieces and Dee ık cover assembly.

HMBP will be completing pplies of equipment for karo's first stage of 1.7 llion tonnes by next month. MBP has supplied equipment about 180 electrolytic luction cells required by arat Aluminium at Korba. ch cell weighs 67 tonnes. In HMBP is to supply 27,000 nes of equipment valued at 21 crores.

ate Units to Get blic Deposits

Public sector units will be owed to invite fixed depos from the public. A beginıg is being made with the arat Heavy Electricals and ooters India Ltd. A large mber of public sector underkings are running short of rking funds. Financial institions and banks cannot help em because of the tight edit policy. In any case, nk credit is much costlier an public deposits. It has erefore, been decided that public sector should adopt same remedy that the vate sector has resorted to, mely, inviting public deposits attractive interest rates to nforce working funds. Some ingent checks may soon be posed to discourage indisminate resort to public desits.

100 Million EEC Aid

The nine governments of European Economic Comınity have decided to pay t another $ 100 million to p the countries worst hit the increase in oil prices. is is in addition to $ 150 lion paid last year. The ıtributions are part of a 3,000-million fund first prosed by the EEC Commisner for Development Aid, Claude Cheysson. Of the 100 million agreed on now ly $ 33 million will be paid directly into the UN fund. The rest will be distributed by the nine-nation Community.

Non-banking Firms' Deposits

The Reserve Bank of India has reduced the quantum of deposits the non-banking financial and non-financial companies could take from the public in the form of unsecured loan from 25 per cent to 15 per cent of their paid-up capital and free reserves as diminished by the balance of accumulated loss. The reduction in ceiling applies to deposits in the form of unsecured loans guaranteed by directors of the companies and deposits raised from shareholders. The bank has directed that such companies having deposits of these categories in excess of 15 per cent of their paid-up capital and free reserves would wipe out the excess by December 31, 1975.

Companies conducting prize chit/lucky draws/savings schemes, etc. which are governed by another set of directions issued by the bank and which have been allowed time up to the end of September 1976 to wipe out any excess of the guaranteed loans/shareholders' deposits over the existing ceilings of 25 per cent are now required to bring down their outstandings in respect of the unsecured loans within the reduced ceiling of 15 per cent by December 31, 1976.

£20 m UK Loan

Britain has offered India a further interest-free loan of £20 million in addition to £75 million pledged at the Aid India Consortium meeting in Paris in June last.

The total of £95 million for the current financial year is the largest amount ever provided by the UK to India.

The new loan is part of the British contribution to the United Nations emergency programme to assist developing countries most seriously affected by the rise in the prices of oil and other commodities.

It will be used for the purchase of materials and components in Britain required to maintain the level of India's industrial and agricultural production. India proposes to use part of the loan to buy fertiliser which it badly needs.

Indo-Zambia Pact

India and Zambia have called upon the developing countries to come closer in economic, technological and scientific fields to meet the "grave difficulties" faced by them.

In a joint communique issued at the conclusion of President Kenneth Kaunda's four-day state visit to India, the two countries urged the developed nations to regulate their relationship with the developing countries on a basis "which would be just and equitable."

Reviewing the economic and technical relations between the two countries, the two leaders agreed to increase and diversify them in the economic, commercial, technical, scientific, technological and cultural fields. For this purpose they signed three agreements and a protocol emphasising the intention of both the countries to strengthen and expand their relations further.

OPEC Oil Price Freeze

The world's major oil exporting countries are preparing to offer a five-year freeze on oil prices in real terms as their contribution to a constructive dialogue with consumer countries. The Algerian Oil minister, Mr Belaid Abdessalem, proposed to Oil and Finance ministers of the Organisation of Petroleum Exporting Countries (OPEC) that this should form the main plank of OPEC's approach to its customers.

This proposal, which won widespread support at the OPEC conference at Algiers on January 27, will form the basis of an OPEC working paper setting out their position towards the consuming countries which OPEC heads of state will consider at a summit conference in Algiers in about one month.

Iran's delegate to the Conference said Iran would agree to stabilising the oil price at current levels, with rises only to counter the effects of inflation.

Fall in Petrol Consumption

Petrol consumption by Indian motorists came down by 35 per cent in the face of the present world oil crisis, according to Mr S. B. Budhiraja managing director of the Oil Corporation of India. Mr Budhiraja, said the offtake of heavy duty furnace oil had also dropped by about 10 per cent as a result of the corporation's sustained campaign to persuade the oil-fired industrial boilers to switch over to coat. Mr Budhiraja said as part of its campaign the corporation would shortly open three more fuel efficiency service cells at Madras, in the Ahmedabad-Baroda region and in the north. There are already three such cells at Bombay, Calcutta and Coimbatore.

FIEO Team to S-E Asia

The Federation of Indian Export Organisations (FIEO) is exploring the possibility of rendering consultancy services to south-east Asia. In pursuance of this objective, a five-member delegation, sponsored by the federation, left on January 27 on a tour of Singapore, Malaysia, Indonesia, the Philippines and Thailand. The team headed by Mr M.M. Suri Managing Director, M. M. Suri, and Associates, will spend about 25 days in these countries. A large number of projects in the south-east Asian region are being financed by the Asian Development Bank (ADB) and Indian consultants have a very useful role to play in such projects.

According to FIEO, Malaysia offers good potential for industrial and infrastructure projects such as machine tools; molasses-based industries, calcium carbide, rubber-based industries, hand tools, automobile spares, railways equipment etc. There is also scope for consultancy services exports to Indonesia in the field of mining, railways, electricity, road and bridge building.

During its visit, the team will have discussions with various procurement agencies, government as well as private, about their programmes and the consequent requirements of consultancy services. Specific fields will be identified and sources of availability of know-how indicated to the parties concerned. The team will also explore the possibility of collaborating with consultants from developed countries already operating in the region and associate with them for projects aided by international agencies. Since most countries in the south-east Asian region are still in the process of development, Indian consultancy, which is tailor-made to suit the needs of co-developing nations, will be in good demand in the region.

IA's Rs 100-Crore Plan

Synchronising with the nation's fifth Plan Indian Airlines is likely to have a separate five-year plan of Rs 100 crores. Indian Airlines has already received approval in principle from the union government to go ahead with the plan. This would be a self-financing project, resources for which would be generated internally, IA would seek central loans to me t any additional fund requirements. The IA plan, outside the purview of the Planning Commission, would be utilised mainly for the expansion programme of the airline including acquisition of wide-bodied jets such as Lockheed Tristars, DC-10-110 and Airbus 330 B2. Indian Airlines' jet fleet capacity will need expansion to cater for the growing passenger traffic and to fill up the gaps created by the phasing out of current uneconomic aircraft like Caravelles and shedding of chartered Air India 707 services. Keeping in view the technological advances in aircraft design Indian Airlines is presently evaluating different types of aircraft to obtain a fleet mix. A final decision on the acquisition of wide-bodied aircraft is likely to be taken shortly.

IFC Programme for Less Developed Areas

The Industrial Finance Corporation of India (IFC) has sponsored a new programme to promote industrial projects in less developed areas of the country. The programme envisages training of technologists and entrepreneurs and providing them guidance from leading specialists in both private and public sectors. Finance for viable projects in less developed regions is already being provided by the corporation at concessional rates of interest. The first programme in the series is being held in Puri, Orissa, from February 1 to 6, 1975. This will be followed by similar programmes in other industrially backward regions and in less developed areas of developed states. The Puri programme will have focus on problems faced in launching industrial ventures in Orissa and in bringing them on a sound footing. The programme is being organised by the Management Development Institute, a body sponsored by IFC.

The corporation has given to the University of Delhi Rs 800,000 to promote advanced research in the field of industrial management.

Industrial Growth Rate Up

The overall growth rate for the industrial sector during the first three quarters of the current fiscal year is estimated at around four per cent against the target of 7.5 per cent for the full year. The improvement in production could be traced mainly to the efforts made by the different economic ministries to remove bottlenecks in production. Power position continued to be critical while some of the industrial raw materials remained scarce. But as a result of monitoring by the ministry of Industry, constraints in the way of higher production could be removed to a considerable extent. Production continued to dip in a few core sectors, especially in chemical fertilisers where production during the nine-month period was low compared to the corresponding period of 1973, though there were signs of revival in December.

Public sector undertakings however registered an overall growth rate of 12.7 per cent during the first three-quarters of the current fiscal year over the corresponding period last year. In terms of value, Hindustan Photo Films Limited of Ottacamund, once considered a sick plant, registered outstanding performance of 109.7 per cent increase in output during the period, followed by the Machine Tools Corporati of India which showed increase of 85.4 per cent i output. The Hindustan M chine Tools, which has un in different parts of the cou try, registered an increase 64.9 per cent in output durir the three quarters period whi Mining and Allied Machine Corporation Durgapur's show ed increase of 38.2 per cer Other notable public sect units registering substanti increase in their output durir the nine-month period are Bharat Heavy Plates and Ve sels, Visakhapatnam (34. per cent), Bharat Heavy Ele tricals Limited (33.1 per cent Garden Reach Workshop (29.6 per cent) and Heavy En gineering Corporation (27. per cent).

Shriram Bearings Limited

General notice is hereby given to the members of the public in terms of Rule 4-A of the Monopolies and Restrictive Trade Practices Rules, 1970 that the Company intends to make an application to the Central Government in the Department of Company Affairs, under Section 21 of the Monopolies and Restrictive Trade Practices Act, 1969 about its proposal to take up the manufacture of 60 nos. of Ball Making Machines (Ball Flashing Machines, Ball Grinding Machines, Ball Lapping Machines and Ball Tumbling Machines) per annum at its existing factory at Ranchi, Bihar.

Any person interested in the matter may, if he so desires, intimate to the Central Government in the Department of Company Affairs, within fourteen days from the date of publication of this notice, his views with regard to the above proposal and also the nature of his interest therein.

R. K. GOEL
Secretary

Registered Office,
Post Box No. 1232,
Bara Hindu Rao,
Delhi-110006.

COMPANY AFFAIRS

ne Persists

ES CONTINUED to move urther on the stock ex- . The end of the dock'| and the report that ial output in certain had increased further December last failed to marketmen. The stock ge fraternity viewed reat concern the conti- stalemate in the jute rs strike and the increase ver cuts in Maharashtra mil Nadu. Lack of insti- al support and fears of dose of taxation in the oming central budget to the mounting deficit fur- ampened market senti- As a result business turn- remained poor. Price nents were narrow and dertone easy. In the pre- mood it looks as though vestment climate is not to improve unless some ve measures are taken by overnment to boost the e of the market.

right Morarji

hough sales of Albright ji and Pandit have gone ppreciably to Rs 5.78 from Rs 4.79 crores, the profit was marginally at Rs 1.18 crores during ear ended October 31, as compared to Rs crores in the previous Considering the loss of ction for the first two s because of the labour e and escalation in cost, indeed not a bad per- nce: The equity dividend, er, had to be restricted per cent because of the nd ordinance. In 1972-73, ompany paid an equity nd of 15 per cent. Out gross profit, the direc- ave appropriated a sum 26.22 lakhs to depr- n reserve as against Rs 25.52 lakhs in 1972-73 while the allocation to development rebate reserve was reduced by Rs 10,000 to Rs 16,000. In 1972-73, a sum of Rs 64.60 lakhs was earmarked for taxation but during the year under review no provision has been made for taxation which is estimated at Rs 64.30 lakhs. The erection and installation of the plant and machinery for doubling the annual production capacity for sodium trypolyphosphate to 25,000 tonnes was almost completed at the end of the year. The expanded plant is working quite satisfactorily despite such constraints as power, furnace oil and kerosene oil.

Garware Nylons

Despite acute shortage of caprolactum, particularly in the beginning of the year and severe power cuts, the turnover of Garware Nylons during the nine-month period ended December 1974, was higher at Rs 9.94 crores as compared to Rs 8.71 crores in the corresponding period of the previous year. Sales during 1974-75 are expected to be around Rs 14 crores, Rs 1 crore more than in 1973-74. The profitability of the company so far has been quite satisfactory despite the steep rise in cost of raw materials. The company has made a considerable headway in the implementation of its expansion programme for setting up a project for the manufacture of polyester filament yarn. It has also made good progress with regard to its de-polymerisation project. This plant is expected to be commissioned during the second quarter of this year.

The company is also setting up a joint venture project in Malaysia for manufacture of nylon yarn, twine, cords of all varieties in the first stage, polyester and synthetic yarns in the second stage and the manufacture of raw materials from which such yarn can be manufactured in the third stage. A new company styled Garware Fabrics is to be incorporated as a 100 per cent subsidiary of the company. This project will serve as a pilot plant for the training of the Malaysian personnel as also to undertake more research and development work.

Madras Rubber

The directors of Madras Rubber Factory have proposed to issue bonus shares in the ratio of one share for every two shares held by capitalising a sum of Rs 121.87 lakhs out of its reserves. The directors have also proposed to maintain the equity dividend at 12 per cent. Meanwhile the company has reported impressive improvements in its working results during the year ended September 30, 1974. Sales during the year jumped to Rs 59.35 crores from Rs 40.30 crores while gross profit shot up to Rs 4.47 crores from Rs 3.05 crores in 1972-73 . Out of this gross profit, the directors have set aside a sum of Rs 123.82 lakhs to depreciation reserve as against Rs 120.10 lakhs in 1972-73 while an amount of Rs 51 lakhs was transferred to development rebate reserve as compared to Rs 57 lakhs in the earlier year. No separate provision has been made for taxation in 1973-74 but the tax liability estimated at Rs 120 lakhs will be paid out of the general reserve. It is expected that there will be a substantial rise in output with a better utilisation of capacity of the Goa unit. The licenced capacity of four lakh tyres and tubes at Goa is likely to be reached during the current year with a progressive rise in production.

The company has received a letter of intent for doubling the capacity of this plant to eight lakh tyres and tubes per annum. The company has also received the governments' approval for transfer to Arkonam, a declared backward area, an annual capacity of 250,000 tyres and tubes from the Madras plant which has a licensed capacity of one million tyres and tubes per annum. But in view of the severe power cut in Tamil Nadu no effective steps have been taken to transfer the capacity. However, production of tyres and tubes at the Madras plant is being maintained at the maximum possible level within the prevailing power constraints in Tamil Nadu.

Central Bank

The deposits of the Central Bank of India has crossed Rs 1,000-crore mark and have touched the level of Rs 1,025 crores at the end of 1974. Deposits increased during the year by as much as Rs 91 crores or 9.7 per cent as against a rise of 13.4 per cent recorded by the banking system as a whole in 1974. But, if the yardstick of rise in the growth of average deposits throughout 1974 was applied, which would be more truly reflective of the funds at the disposal of the bank, the growth rate of average deposits worked out at 15.2 per cent for 1974 for the bank as against 16.7 per cent for all the scheduled commercial banks in the country. Loans and advances during the year rose by Rs 54 crores to 678 crores. The growth rate of advances in this case also was lower at 8.7 per cent as compared to 12.1 per cent for the entire banking system. However, the average advances of the Central Bank, worked out at 23.3 per cent as against 20.3 per cent recorded by the banking system as a whole.

Including exports, the improvement in the share of priority sector advances in total credit has been from 19.3 per cent to 28.7 per cent from the date of nationalisation until the end of December 1974, making a total of Rs 194.48 crores. While exports accounted for the increase of Rs 23.27 crores, the increase was more marked at Rs 57.47 crores in agricultural advances. The share of Central Bank at Rs 76.58 crores, in the total public sector banks' agricultural advances was over 12.5 per cent as at the end of 1974. Nearly two lakh farmers have been directly benefited by the various schemes under which the Bank has been increasing its commitment to agriculture. During 1974 Central Bank opened 54 branches carrying the total number of offices as at the end of last year to 1219.

A look into the representation of branches as at the date of nationalisation and as on December 31, 1974, reflects not only the maturing of the Bank as an all-India Institution, but also indicates its predominant bias in favour of opening offices in rural and semi-urban areas in consonance with the national policy. Thus, as against the total number of branches in India at 570 on July 19, 1969, the total number of branches at the end of 1974 was 1219 which showed an increase of 649 branches, out of which 516 opened at rural & semi-urban centres. The Bank has on hand 82 licences for opening new branches. In the rolling plan for the three year period submitted to Reserve Bank of India for approaval, application have been made for 568 new branches.

The bank, it seems, has achieved the highest-ever profit in 1974. According to Mr D.V. Taneja, the Banks Chairman, the bank's profit for 1974 will be "many times more" than for 1973. The final figure of profit after various allocations, is expected to be available only next month. In 1973, the bank's gross profit was Rs 2.95 crores and after making appropriations, a sum of Rs 16 lakhs was transferred to the central government.

Bayer (India)

Bayer (India) has obtained the consent of the Controller of Capital Issues for a further issue of 32,250 equity shares of Rs 100 each at a premium of Rs 100 i.e. at a price of Rs 200 per share. The Board has decided that out of these shares, the Indian shareholders will be offered rights in the proportion of one share for every six shares held and the balance to the company's employees in such a manner that none of them gets more than 20 shares. The proposal, however, is subject to the approval of the shareholders.

Consolidated Coffee

In his annual address to the shareholders of Consolidated Coffee Ltd, the Chairman Mr M.A. Sreenivasan has high-
lighted the tremendous p
gress made by the compa
during the five year per
ended 1973-74. It is gratify
to note that the gross inco
profit before tax and profit a
tax have all doubled dur
this period. Moreover the cc
pany's investments in sha
and securities have more tl
trebled. Reserves have reco

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n increase of Rs 35 lakhs, the drawing of Rs 71.5 s during 1973-74 for the of bonus shares in the of two shares for every shares held. Although the age crop harvested in company's estates has ten- to be stagnant over the s, due mainly to extnensive clearings and replant- that have been done in the five years at a total cost of 26.50 lakhs, the crops har- ted are expected, as a result these operations, to show stantial increases in future rs.

here is too much political ession with agricultural d with the result that agricultural land has become the tform, if not the playground politics, with each party ng and wishing to excel the er, in land reforms. This in- te of the fact that even Pandit hru declared years ago that re should be an end to land orms. It is often said that d should be distributed ong the landless. The wis- m of such a policy is ques- nable for it is common owledge that even if all the ble land in the country is tributed among the land- s there would hardly be an e for each. Moreover such chy slogans as "land to tiller" are often raised to ase the masses and to catch re votes. But stripped of populist trappings to say nd to the tiller" would ap- ar no more respectable or ional than to say, "cloth to weaver" or "curry to the ok." These empty slogans d absurd policies obviously n lead us nowhere. This ercise of distribution of d will naturally lead to capi- starvation of agriculture the one hand and mere sub- tence farming on the other.

It is high time that we follow e footsteps of such countries Australia and Canada where d is not politicalised and here agriculture is free and hampered by irksome laws d levies and where sky is e only ceiling. So it is ear- stly hoped that a time of ergency and crisis like the esent, the political inhibitions and prejudics will be cast aside and all out efforts will be made not only to attain high levels of productivity and earn foreign exchange but also to provide gainful employment and amenities to workers. The state of Karnataka is expected to give a bold lead in this direction.

Victor Gaskets

Taking advantage of the prevailing shortage of piston rings, Victor Gaskets India Ltd, a prominent producer of gaskets, is launching a project for the manufacture of piston rings at Nasik. Initially, the plant will have an annual production capacity of 15 million units. The capacity will be doubled in the second phase of the project to be taken up after two years from the start of production. The company has made considerable progress in the implementation of the project. It hopes to complete the installation of plant and equipment by September-October and start production on a commercial scale in January 1976.

The company is expected to enter the capital market some time in September under its new name, Perfect Circle Victor Ltd, with a fresh equity issue of Rs 1 crore. Dana Corporation, the company's US collaborators, who are one of the world leaders in automobile anciliaries, will take up shares worth Rs 30.40 lakhs. The Indian promotors will subscribe to equity shares worth Rs 21.44 lakhs. The remaining equity capital of Rs 48.16 lakhs will be offered to the public for subscription. A part of capital outlay to the tune of Rs 2.10 crores will be raised as institutional loans. Victor Gaskets has earned a pre-tax profit of Rs 30 lakhs on a turnover of Rs 2.60 crores during the year ended September 30, 1974. With the Nasik project generating additional business, its turnover is expected to jump to Rs 6 crores in 1977-78. The company hopes to declare a handsome dividend out of the profits earned in 1977-78.

Regal Papers

Regal Papers has commenced production of mirror finished high gloss cast coated paper and board. This kind of paper, it is claimed, is being produced for the first time in Asia outside Japan. It is interesting to note that this venture has been promoted entirely with indigenous technical knowhow and raw materials without seeking any foreign collaboration whatsoever. Its plant thus represents a major breakthrough in high grade coated paper and board in the country which will not only serve as a substitute for imports but also pave a way for higher exports. It is estimated that the company can earn foreign exchange to the tune of Rs 50 lakhs annually.

The company has an authorised capital of Rs 1 crore. It went public in early 1973 by raising capital to the value of Rs 28 lakhs, comprising Rs 21 lakhs in equity and the balance of Rs 7 lakhs in 9.5 per cent redeemable cumulative preference shares. To supplement the capital further, it proposes to go in for a rights issue by the end of this month to the extent of Rs 7 lakhs consisting of Rs 5.25 lakhs in equity and Rs 1.75 lakhs in preference. The shares will be offered in the proportion of one for four to those whose names appear on the register of the company as on January 28.

Unit Trust

The Trust Laws (Amendment) Ordinance, to further

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Don't wait till the evening.
Catch the early clearance.

POSTS AND TELEGRAPHS

davp 74/288

amend the Indian Trusts Act, and the Unit Trust of India Act, was promulgated on January 7, 1975. Prior to the promulgation of this ordinance, income up to Rs 3,000 for units in the Unit Trust of India and other specified categories of investments was exempt from income-tax under Section 80L of the Income Tax Act, 1961. Also, investment up to Rs 1.5 lakh in units and other specified investments was exempt from wealth-tax. With the promulgation of the ordinance two further specific tax reliefs have been granted exclusively to unit-holders.

These reliefs, in respect of income-tax and wealth-tax, have been made applicable from the assessment year 1975-76. The assessment year relates to the income and wealth of the assessees of the previous year. The assessees will, therefore, get the benefits on tax assessment in respect of income from units which they have already received during the current year 1974-75, as also for their holdings of units during 1974-75 for the purposes of wealth tax. Income up to Rs 2,000 exclusively from investments in units of the UTI will be exempt from income-tax. This is over and above the limit of Rs 3,000/- already available under Section 80L of the Income-tax Act, 1961 for income from certain approved investments, including units. To illustrate this, at the rate of dividend paid by the UTI during 1972-74, viz 8.5 per cent, the total income on an investment in units of approximately Rs 24,000 will be fully exempt from income tax.

Because of the facilities of ready encashability of units at pre-determined prices, and the complete safety of funds invested in units, many investors including pensioners already hold units of over this amount, often in the Reinvestment Plan of the UTI. With the further tax exemption now given, many more may like to invest more of their savings in units since the earlier tax exemption of Rs 3,000 will continue to be available to them. It is necessary to emphasise that the emption for Rs 2,000 provided in the recent ordinance is applicable only for income from units and not for income derived from any other source. The ordinance also gives Wealth Tax exemption on investments in units up to Rs 25,000 in addition to the exemption upto Rs 1.50 lakhs already in force for specified categories of investments, including units. Here too the additional amount of Rs 25,000 can be claimed for exemption under Wealth Tax for investments in units alone, over and above whatever the assessees' holdings of units may be within the earlier ceiling of Rs 1.5 lakhs. As hitherto, the Trust will make no deduction of tax at source in the case of resident individuals while sending dividends to them. This is a facility that is particularly attractive to persons in lower income tax brackets.

Under the recent Ordinance, the Units issued by the UTI will be eligible to be treated as 'trustee securities' under the Indian Trusts Act, 1882. Various Trusts can, therefore, now invest their funds in units as soon as the necessary rules and regulations are framed by UTI. The facility for nomination announced in the ordinance will also be available to unit-holders shortly when the present schemes are amended for this purpose. The nomination facility will be available for existing holders too.

Andhra Pradesh Paper

Andhra Pradesh Paper Mills Ltd has achieved a record production of 63,385 tonnes of paper during the year ended June 30, 1974. The tempo of production is expected to be maintained during the current year. The company's expansion programme of 15,000 tonnes per annum is in an advance stage of implementation and is expected to be completed by the first quarter of 1975.

The company's production has been more than doubled in reference to the output envisaged at the time of incorporation and will further increase after the current expansion programme.

News and Notes

Hercules Hoists has decided to expand its production facilities with the addition of some balancing equipment to cope with the growing activities. The company has developed small cranes and has already put them on the market. It is now engaged in developing new material handling equipment. Regular sales of the new range of electric hoists which was impeded last year on account of the delays in the supply of certain essential components is expected to pick up this year.

New Issues

Falcon Tyres is setting up in backward area near Mysore City a Rs 1.40-crore project for the manufacture of tyres for scooters, motor-cycles and mopeds as also various types of industrial belts. The initial capacity of the plant will be four lakh tyres and an equal number of tubes and five lakh Industrial 'V' belts per annum. The capacity will be stepped up in phases t one million units for eac of these three items. Ac cording to current indication the plant is expected to go int commercial production b September 1975. In view of th acute shortage of tyres, th management does not antic pate any difficulty in marke ing its products. The manage ment hopes that the compan will start earning profits fro 1975-74, the first year of com mercial production. Hence th company is confident of dec laring a reasonable dividen on equity shares for 1975-76 The profit for subsequent year is expected to be large enoug to step up the dividend subs tantially after making all ap propriations and satisfactor transfers to reserves.

To raise part of the re sources required for the im plementation of this projec the company is offerin to the public equity share worth Rs 30 lakhs, all in equit shares of Rs 10 each. Th subscription list opens o February 5 and will close o February 17 or earlier but nc before February 7.

Dividends

(per cent

Name of the company	Year ended	Equity dividend declared for: Current year	Equity dividend declared for: Previou year
Higher Dividend			
Jain Tube Company	July 31, 1974	12.0	8.0
Same Dividend			
Indian Standard Metal	Dec 31, 1973	10.0	10.0
Indian Rayon	June 30, 1974	Nil	Nil
Inchek Tyres	June 30, 1974	Nil	Nil
East Angelia Plastics	June 30, 1974	Nil	Nil
Reduced Dividend			
Indian Hume Pipe	June 30, 1974	8.0	12.0
Bombay Potteries	Sep. 30, 1974	Nil	6.0
Tube Suppliers	July 31, 1974	Nil	8.0
Walchandnagar Industries	Sept, 30, 1974	7.7	12.0

RECORDS AND STATISTICS

holesale prices

E OF 'CIAL wholesale prices lex (with the year ended arch, 1962=100) recorded all of 0.5 per cent to 315.1 ring the week ended Decem- 21, 1974 as against 317.8 the previous week. The commodities index at this el was lower by 1.0 per cent en compared to the corres- nding week of the earlier nths but was higher by 19.8 cent than that of a year).

d Articles

ower prices of betelnuts 15 per cent), potatoes (—6 cent), coconut oil and pper black (—4 per cent h), fish (—3 per cent), ragi, ong and turmeric (—2 per t each), jowar, gram, urad, ons, bananas, ghee, ground- oil, gur and chillies (—1 cent each) brought down the ex for "Food Articles" by per cent to 368.9 as against .6 for the last week. How- r, the prices of cardamoms 7 per cent), barley and nges (+3 per cent each), s and coffee (+2 per cent h), wheat, bajra, maize and gelly oil (+1 per cent each) anced.

uor and Tobacco

. fall of 1.5 per cent to .2 as against 313.0 for earlier week in the index "Liquor & Tobacco" was sed by a decline in the pri- of raw tobacco (—3 per).

, Power Light and Lubricants

he index for the "Fuel, er, Light & Lubricants" ıp stood at 318.5 as against .6 for the previous week.

strial Raw Materials

he index for "Industrial Raw Materials" came down by 1.1 per cent to 317.8 as against 321.3 for the earlier week due to a fall in the prices of raw skins (—5 per cent), rapeseed (—4 per cent), jute raw and mesta, groundnuts, castorseed and gingellyseed (..2 per cent each) and raw hides (—1 per cent). The prices of copra (+2 per cent) and tanning materials (+1 per cent) however, moved up.

Chemicals

Indices for the "Chemicals" and "Machinery & Transport Equipment" groups stood stationery at their previous week's level of 312.6 and 269.1 respectively.

Manufactures

"Manufactures" group com-

Index Numbers of Wholesale Prices by Groups & Sub-Groups

(Base: 1961-62=100)

Groups & Sub-Groups	Weights	Week ended 21-12-74	14-12-74	23-11-74	22-12-73
Food Articles	(412)	368.9	370.6	374.2	304.2
Foodgrains	358	410.9	410.6	415.2	305.0
Cereals	293	376.9	375.9	379.8	278.5
Pulses	65	564.4	567.0	574.7	424.3
Fruits & vegetables	57	276.9	280.0	284.1	279.9
Milk & milk products	147	324.6	325.5	382.0	289.9
Edible oils	130	408.2	412.9	414.4	358.6
Fish eggs & meat	49	523.8	531.5	536.4	463.1
Sugar & allied products	157	321.0	323.1	329.7	292.2
Others	102	286.3	287.8	287.0	203.6
Liquor & Tobacco	(25)	308.2	313.0	310.4	250.3
Liquor	44	215.2	215.2	215.2	180.7
Tobacco	956	312.4	317.5	314.8	253.5
Fuel Power, Light & Lubricants	(61)	318.5	318.5	318.6	235.1
Coal	214	263.2	263.2	263.2	190.4
Coke	57	357.3	357.3	357.3	268.4
Minerals oils	495	395.7	395.7	395.7	278.7
Rectified spirit	5	323.1	323.1	323.1	306.9
Electricity	219	186.5	186.5	186.5	162.1
Castor oil	10	350.3	351.2	351.8	407.8
Industrial Raw Materials	(121)	357.8	321.8	320.8	311.2
Fibres	340	239.8	240.0	237.1	231.8
Oilseeds	433	413.5	420.4	419.5	396.5
Minerals	29	158.1	158.1	158.1	154.5
Others	198	266.1	267.9	272.6	283.8
Chemicals	(7)	312.6	312.6	309.4	216.0
Machinery & Transport Equipment	(79)	269.1	269.1	269.1	187.7
Electrical machinery	238	247.7	247.7	247.7	184.1
Non-electrical machinery	490	310.7	310.7	310.7	208.5
Transport equipment	272	213.0	213.0	212.0	153.5
Manufactures	(294)	254.1	255.8	255.8	217.0
Intermediate Products	195	303.5	303.1	310.8	291.8
Textile Yarn	87	225.3	224.9	222.1	217.1
Leather	17	206.4	202.7	193.3	210.8
Metals	83	392.0	392.0	393.3	374.4
Linseed oil	8	442.2	445.1	450.1	418.7
Finished Products	805	242.1	244.4	244.6	198.9
Textiles	386	228.6	233.1	233.4	195.5
Metal products	130	281.5	281.5	281.5	246.9
Non-metallic products	51	263.7	262.6	263.2	193.3
Chemicals products	92	249.5	249.5	249.4	175.3
Leather products (Shoes)	30	151.1	151.1	148.8	110.6
Rubber products	34	226.2	226.2	226.2	163.5
Paper products	33	241.5	241.5	241.5	151.8
Oilcakes	26	362.1	370.7	375.3	271.6
Miscellaneous	28	172.4	172.4	172.4	133.8
All Commodities	(1000)	316.1	317.8	319.2	263.9

Note : Weighs assigned in combining seven groups into a single all commodities index are given within brackets. Weights assigned to various sub-groups within the groups are given without brackets.

Source : Office of the Economic Adviser to the Govt, of India, Ministry of Industry & Civil Supplies.

prising of (a) Intermediate Products and (b) Finished Products declined by 0.7 per cent to 254.1 as against 255.8 for the last week.

(a) The index for "Intermediate Products" slightly moved up by 0.1 per cent to 303.5 as against 303.1 for the previous week due to an increase in the prices of leather (+2 per cent) and rayon yarn (+1 per cent). The prices of linseed oil (—1 per cent), however, fell.

(b) The index for "Finished Products" receded by 0.9 per cent to 242.1 owing to a fall in the prices of cotton cloth (mills) (—3 per cent), jute manufactures and oil cakes (—2 per cent each). However, the prices of silk and rayon manufactures and bricks and tiles (+1 per cent) advanced.

Index Numbers of Industrial Production

(Base : 1970=100)

Group	Weight	1972	1973	January-June 1973	January-June 1974 (Prov)	Percentage change in 1973 over 1972	Percentage change in Jan-June '74 over Jan-June '73
General index (crude)	100.00	199.4	200.7	197.0	200.4	+0.7	+1.7
Electricity generated	5.37	390.7	383.8	369.1	406.5	—1.8	+10.1
Mining & quarrying	9.72	164.2	163.6	168.7	177.1	—0.4	+5.0
Manufacturing	84.91	191.4	193.1	188.9	190 0	+0.9	+0.6
Food manufacturing	12.09	162.6	154.5	152.3	153.0	—5.0	+0.5
Beverage & tobacco	2.22	174.1	178.9	169.1	187.6	+2.8	+10.9
Textile manufacturing	27.06	114.4	113.3	107.3	106.1	—1.0	—1.1
Cotton textiles	218.18	112.6	114.1	106.4	109.1	+1.3	+2 5
Jute textiles	3.97	96.8	90.6	90.2	72.6	—6.4	—19.5
Footwear manufacture	0 21	150.8	151.3	157.4	144 3	+0.3	—8.3
Wood & cork manufacture	0.80	217.7	158.4	157.2	159.4	—27.2	+1.4
Paper & paper products	1.61	226.1	236.4	221.3	244.4	+4.6	+10.4
Leather & fur products	0.43	59.9	76.4	73.2	78.2	+27.5	+6.8
Rubber products	2.22	256.0	250.6	232.7	266.4	—2.1	+14.5
Mauufacture of chemicals	7.26	293.7	301.9	301.7	293.2	+2.8	—2.8
Petroleum refinery products	1.34	317.2	332.8	307.2	351.5	+4.9	+14.4
Non-metallic minerals	3.85	225.2	226.6	220.4	230.8	+0.6	+4.7
Basic metal industries	7.38	225.3	215.8	218.8	200.3	—4.2	—8.5
Manufacture of metal products	2.51	242.7	240.5	253.5	255.7	—0.9	+0.9
Manufacture of non-electrical machinery	3.38	402.7	454.9	444.7	450.9	+13.0	+1.4
Electrical machinery	3.05	435.0	436.2	434.2	428 0	+0.3	—1.4
Transport equipment	7.77	133.5	148.1	149.3	148.0	+10.0	—0.9
Miscellaneous industries	1.23	86.5	74.5	49.7	100.6	—13.9	+102.4

Source: C. S. O.

Index Numbers of Security Prices—All India

(Base : 1970-71=100)

Week ended	1974 Jan. 12	1974 Dec. 14	1974 Dec. 21	1974 Dec. 28	1975 Jan. 4	1975 Jan. 11
Government and semi-government securities	98.8	96.9	96.9	96.9	96.9	96.9
Government of India	98 4	95.9	95.9	95.9	96.0	95.9
State governments	99.8	99.3	99.3	99.3	99.2	99.2
Semi-government institutions	100.8	101.1	101.1	101.1	101.1	101.1
Debentures	97.1	95.4	95.4	95.3	95.3	95.3
Preference shares	94.3	89.1	89.0	89.0	89.0	88.8
Ordinary shares	115.3	102.9	104.6	105.0	105.0	104.3
Tea plantations	95.5	109.3	121.4	122.5	124.3	124.0
Cotton textiles	134.7	124.3	125.8	126.0	125.8	125.3
Jute textiles	153.6	128.7	132.7	133.7	135.6	136.1
Silk, woollen and rayon textiles	136.0	114.7	118.2	119.9	120.0	119.2
Iron and steel	60.6	48.3	49.2	49.8	48.4	47.2
Aluminium	76.5	54.7	54.3	54.5	54.8	54.8
Transport equipment	90.4	77.1	78.7	77.1	78.9	
Electrical, machinery apparatus, appliances, etc.	123.1	102.4	104.2	105.2	105.3	105.0
Chemical fertilisers	162.5	140.4	142.7	145.8	144.0	143.7
Other basic industrial chemicals	114.0	105.7	107.1	107.0	106.1	105.2
Cement	103.2	83.5	86.5	87.4	87.3	86.3
Paper and paper products	139.1	159.1	163.8	164.4	166.0	164.6
Rubber and rubber products	108.1	96.0	96.5	96.3	96.5	96.2
Electricity generation and supply	84.2	63.3	62.8	62.9	63.0	62.5
Shipping	122.2	138.0	138.2	140.0	138.5	138.1

Source : Reserve Bank of India

Scheduled Commercial Banks

(Rs lakhs)

	Jan. 10, 1975	A week ago	A month ago	A year ago
. Demand deposits	4,901,41	4,802,14	4,722,61	4,177,34
2. Time deposits	6,745,57	6,732,67	6,679,23	5,879,79
3. Aggregate deposits	11,646,98	11,534,81	11,401,84	10,057,12
4. Borrowings from Reserve Bank	101,55	164,61	71,90	234,46
5. Cash	294,83	294,40	279,50	237,95
6. Balances with Reserve Bank	511,80	551,93	527,03	695,32
7. Cash and balance with Reserve Bank	806,63	846,33	806,53	933,27
8. Investment in government securities	2,743,18	2,738,68	2,736,06	2,367,87
9. Advances	6,670,88	6,640,98	6,473,73	5,783,85
0. Inland bills purchased and discounted	966,51	957,93	926,02	943,43
1. Foreign bills purchased and discounted	399,87	392,12	396,89	357,23
2. Total Bank credit	8,037,26	7,991,03	7,796,64	7,084,52
3. Percentage of :				
(7) to (3)	6.93	7.34	7.07	9.28
(8) to (3)	23.55	23.74	24 00	23.54
(12) to (3)	69.01	69.28	68.38	70.44

Source : Reserve Bank of India

Reserve Bank of India

(Rs lakhs)

	Jan. 10, 1975	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	23,50	34,45	43,04	31,45
Notes in circulation	6,110,22	5,995,70	6,105,15	5,777,70
Total notes issued	6,133,72	6,030,15	6,148,19	5,809,15
Gold coin and bullion	182,53	182,53	182,53	182.53
Foreign securities	141,74	141,74	141,74	101,74
Rupee coin	14,12	15,56	13,58	9,55
Govt. of India rupee securities	5,795,33	5,690,33	5,810,34	5,515,34
Banking Department				
Deposits of cent. govt.	45,79	52,58	54,88	64,34
Deposits of state govts.	6,88	13,72	11,77	11,28
Depos'ts of banks	530,41	570,97	542,72	711,80
Other deposits	557,83	564,72	562,10	72,38
Other liabilities	1,652,80	1,681,41	1,627,52	1,276,14
Total liabilities or assets	2,793,70	2,883,38	2,789,98	2,135,94
Notes and coins	23,61	34,54	43,11	31,51
Balances held abroad	366,72	371,68	513,33	216,63
Loans and Advances to:				
State governments	185,68	158,34	143,33	173,95
Scheduled Com. banks	101,64	164,61	71,90	234,46
State coop. banks	445,98	445,84	390,47	359,61
Other loans and advances	325,09	324,67	319,00	176,45
Bills purchased and discounted				
Internal	166,36	164,89	134,92	130,67
Govt. treasury bills	411,54	414,52	587,44	252,51
Investments	565,90	600,63	449,00	476,83
Other assets	201,27	203,68	146,49	73,31

Money Supply with the Public

(Rs. crores)

Week ended	1974					1975
	Jan 4	Dec 6	Dec 13	Dec 20	Dec 27	Jan 3
A. Money supply with the public	10,206	11,174	11,249	11,182	11,065	11,148
Currency with the public	5,849	6,272	6,334	6,273	6,143	6,167
Other deposits with the Reserve Bank	35	46	68	50	51	54
Bank money	4,322	4,856	4,847	4,859	4,871	4,927
B. Factors affecting money supply (1+2+3+4—5)						
1. New banks credit to government sector (a+b)	8,692	9,686	9,662	9,432	9,365	9,541
(*a*) Reserve Bank's net credit to government sector	6,227	6,827	6,826	6,589	6,549	6,703
(*b*) Other banks' credit to government sector	2,465	2,859	2,836	2,843	2,816	2,838
2. Bank credit to commercial sector (a+b)	9,048	9,835	9,932	10,066	10,076	10,257
(*a*) Reserve Bank's credit to commercial sector	389	557	564	579	589	600
(*b*) Other banks' credit to commercial sector	8,659	9,278	9,368	9,486	9,487	9,657
3. Net foreign exchange assets of banking sector	511	449	426	430	416	284
4. Government's net currency liabilities to the public	489	519	519	518	511	512
5. Non-monetary liabilities of banking sector (a+b+c)	8,534	9,315	9,290	9,263	9,303	9.446
(*a*) Time deposits with banks	6,175	6,994	7,035	7,034	7,049	7,090
(*b*) Net non-monetary liabilities of RBI	1,269	1,574	1,581	1,564	1,596	1,595
(*c*) Residual	1,090	747	674	665	658	761
C. Aggregate monetary resources A+B5(a)	16,381	18,168	18,284	18,216	18,114	18,238

Source : Reserve Bank of India

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973	1974				
									Aug	Mar	April	May	June	July
(Base : 1949=100)														
All-India	169	213	212	215	226	233	251	304	300	334	344	357	366	378
(Base : 1960=100)														
All-India	—	—	174	177	186	192	207	250	247	275	283	294	301	311
Ahmedabad	130	168	165	169	176	181	198	245	233	264	272	284	290	295
Alwaye	145	183	198	197	198	202	215	267	287	288	298	312	322	338
Asansol	140	168	176	187	189	194	206	245	241	274	286	298	301	312
Bangalore	144	172	180	183	186	194	212	265	258	286	286	292	299	306
Bhavanagar	132	173	176	178	186	194	217	273	260	285	297	306	302	310
Bombay	130	162	167	175	182	190	203	233	227	249	259	269	277	282
Calcutta	131	163	170	172	182	187	197	228	220	255	264	272	276	282
Coimbatore	132	151	147	152	163	177	189	218	211	246	258	269	272	280
Delhi	136	172	178	185	199	211	222	265	259	296	309	325	330	335
Digboi	138	198	185	180	189	188	198	234	232	256	260	273	282	297
Gwalior	139	191	179	184	191	197	214	271	265	312	316	329	339	342
Howrah	137	178	181	176	186	191	206	280	229	270	274	280	255	291
Hyderabad	140	167	173	185	189	195	211	251	253	271	273	277	284	291
Jamshedpur	136	183	171	190	183	187	202	249	249	278	293	307	311	317
Madras	134	151	150	160	170	182	203	229	226	248	261	268	271	280
Madurai	128	146	148	162	183	193	206	286	231	257	266	282	298	311
Monghyr	151	215	185	188	203	204	225	292	278	347	344	337	360	378
Mundkayam	138	173	186	191	197	199	210	263	279	286	291	309	323	333
Nagpur	138	164	166	176	187	192	203	256	260	277	277	295	299	308
Saharanpur	141	188	176	181	186	196	213	253	246	290	294	311	318	333
Sholapur	128	165	167	176	185	198	216	277	275	279	288	295	302	314

Source : Labour Bureau, Govt. of In

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 1960=1

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973	1974			
									July	Mar	April	May	June
All-India	123	159	161	167	174	180	192	221	216	238	244	251	256
Bombay	132	153	156	162	168	172	183	204	208	213	222	231	236
Delhi—New Delhi	131	154	162	178	174	180	190	217	208	236	238	248	253
Calcutta	126	152	156	162	170	174	180	204	197	219	221	227	229
Madras	133	154	154	161	175	188	204	221	224	250	257	269	269
Hyderabad—Secunderabad	133	155	159	167	174	180	193	228	220	237	240	248	254
Bangalore	133	156	160	162	172	180	194	228	220	246	250	258	262
Lucknow	132	159	156	161	166	174	185	215	207	235	243	248	256
Ahmedabad	131	160	162	168	171	173	188	222	221	233	239	253	259
Jaipur	133	162	168	176	183	188	205	214	233	266	274	280	289
Patna	139	170	174	191	190	199	199	229	219	259	253	261	271
Srinagar	134	160	157	174	184	191	200	215	209	237	244	244	247
Trivandrum	131	165	168	172	178	184	198	231	225	250	258	266	269
Cuttack—Bhubaneswar	142	164	167	169	176	184	196	221	214	239	242	246	249
Bhopal	133	166	166	172	180	188	204	288	233	258	261	268	276
Chandigarh	129	155	165	171	178	183	194	217	209	237	241	246	248
Shillong	123	155	163	164	166	175	183	208	202	217	229	233	237

Source : C

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here there's will

THERE WAS an element of irony, surely, in Dr A.H. Boerma, Director-General of the FAO, delivering the fifth Coromandel lecture on the occasion of the presentation of the Borlaug Award ted by Coromandel Fertilizers Limited to Dr S.V.S. Shastry for his re- and development work on high-yielding varieties of rice. It may be recalled some time ago Dr Borlaug had dismissed rather contemptuously the per- nce of the World Food Conference held in Rome under the auspices of the FAO ot of nonsense or words to that effect. It could be said to the credit of Dr Boerma e skilfully utilized the occasion to enter a more or less persuasive plea on behalf Rome circus.

He painstakingly narrated the various proposals or resolutions discussed and adop- that conference and suggested that it did make a constructive contribution towards olution of the world's food problem in many of its important aspects. He stressed rticular the progress achieved in initiating an international dialogue on the mobili- n of the financial or technological resources of affluent countries (including, in this both the industrially advanced countries and the oil-exporting countries) for the growth of food and agriculture in developing countries. He mentioned specifically all given for the immediate establishment of an international fund for agricultural opment which would be based on voluntary contributions from traditional donor tries and from new potential donors, notably the oil-exporting countries, and the mmendation made to the World Bank, the FAO and the UNDP to organize a sultative Group on Food Production and Investment in developing countries in r to increase, coordinate and improve the efficiency of financial and technical tance to agricultural production in the developing world.

Dr Boerma, however, was far from convincing when he pleaded that these pro- ls or indeed any other that took shape in Rome went anywhere near establishing mergence or expression of a political will for dealing with the global food situation her in its national aspects or in terms of its international linkages or ramifications. he contrary, by suggesting that the establishment of a World Food Council at minis- l level as an organ of the United Nations General Assembly and serving within the ework of the FAO, with headquarters at Rome, as recommended by the Rome erence, could give form and substance to the political will, which was the theme of ddress, the Director-General of the FAO merely did damage to his own credibility. r all, nobody, who had studied with any attention the proceedings or the backstage oeuvres in Rome, would have failed to get wise to the fact that the Director-General he FAO was himself actively opposed to the setting up of an effective world food rity council at the highest political level for dealing with the basic issues of the world l problem with something like supra-national authority.

Even during the time the Rome conference was in session it was being freely said Mr Boerma was not in favour of anything being said or done that could have the ct of downgrading the FAO whether in the administrative sense or in political terms. ay be argued perhaps that this was not an unnatural stand to take by the Director- eral of the FAO. But then the FAO itself has self-confessedly failed to build up ugh political authority or administrative muscle to take major initiatives for dealing the world food problem, particularly in the matter of the lack of food security which e nightmare of about a billion people in the poorer countries of the world. Looked n this manner Dr Boerma's discourse on "Political Will and the World Food Pro- n" was like the celebrated lecture by a very learned zoologist on snakes in Green- l; the long and short of that lecture was that there were no snakes in Greenland.

Perhaps the most interesting part of Mr Boerma's address was the two sets of ques- ps, which he addressed to the developing countries and the richer countries respectively, as he concluded his speech. We welcome in particular his asking the governments of developing countries whether they are prepared "to switch the necessary financial resources to invest sufficiently in food and agricultural production for the benefit of their people, often at the expense of projects which seemed to satisfy more immediately the requirements of national pride or prestige," Mr P.N. Haksar, deputy chairman of the Planning Commission, who presided on the occasion, predictably parried the thrust most skilfully. He ignored the reference to national pride or prestige, but he said that, so far as the Indian government was concerned, it would not be stinting on investment in agriculture when finalizing the annual plan which is now being processed. He indicated that agriculture would have high priority and that minor and medium irrigation works would be emphaizised so that schemes in progress as well as new quick-yielding projects in that sector could be completed as early as possible. He also noted specially the importance that power development would receive especially in the light of the needs of farming or farmers.

Mr Haksar met particularly effectively Dr Boerma's point that large-scale rural landlords should not be allowed to impede agarian reform in developing countries. The deputy chairman of the Planning Commission quite properly pointed out that prosperous peasants were not necessarily evil people since prosperity could be natural expression of their efficiency in productivity as farmers. He was confident that any reasonable scheme of agrarian reform should be able to carry with it all farmers, big and small. The important thing as he explained, was to stop treating agrarian reform as a slogan or a shibboleth and start breaking it down to its practical details in all their varying form and substance so that what was really important for agricultural development or relevant to the good of the society could be attempted and accomplished as an orderly and constructive process. Mr Haksar's observations in this context were particularly appropriate since the FAO itself has been notoriously guilty of generalizing about land reforms from an armchair perspective. It is to be hoped that Dr Boerma will return to his headquarters in Rome with a better appreciation of what the FAO could do in its own subordinate jurisdiction of the particulars of the technical or marginal financial assistance it may be in a position to render to farm dvelopment programmes around the world and a keener sense of the li tation of that agency whether as cataly precipitator or vehicle of the political which he himself has so rightly underli as the key factor in the world food sit tion.

Some thoughts on oil crisis

Discussing the role of the USA in the financial crisis created by the piling up of billions of petrodollars in the OPEC accounts since December 1973 when the price of oil was raised, *Fortune* (a US monthly magazine) in its editorial in the December 1974 issue had suggested a number of measures to weaken and fight the oil cartel. It suggested that the USA should restrain its own consumption of oil and should also take measures to expand its oil output. It also recommended expanded use of coal resources in the USA coupled with accelerated development of nuclear power and increased offshore drilling for oil. If the USA formulated its policies on these lines, *Fortune* argued that within a couple of years, OPEC may be forced to reduce production in order to maintain the current level of prices but the decision to cut output may cause fissures in the united stand of oil-exporting countries. Once that happened, oil prices in the world would tumble. *Fortune* also hastened to add that since the USA had not so far taken any such steps, the oil exporting countries seemed confident that far from reducing the price of oil, they might be called upon to raise it further if the current inflationary pressures all over the world were not reduced.

The case of the oil-exporting countries was presented in a cogent fashion by Mr Ahmed Kouross, deputy minister of Economy in Iran, at the second international seminar of economic journalists held in the capital recently. Full text of his speech has already appeared in *Eastern Economist* dated January 31, 1975, on page 211. The upshot of his argument was that much before the hike in oil prices in December 1973, the developed countries were already in the throes of a crisis caused partly by simultaneous growth in income and flation. During the decade 1960-70, terms of trade were heavily in favour the industrialised countries and the p cess of inflationary growth in these cou tries led to "over-consumption, soc tensions and permissiveness". All t the oil-producing countries did was revise the price of oil not according its cost of production but "in terms the cost of its alternatives and the re value of its derivatives". The contrib tion of the revised prices of oil to wor inflation, asserted Mr Kouross, was sm —only 1.5 per cent in 1974 against t overall inflation of 14 per cent.

Regarding the balance of paymen difficulties of developing countries, M Kouross said that "the change in t deficit on current account of the balan of payments of the developing countri between 1973 and 1975 will be $ 21 billio of which $ 6.8 billion constitute the o component". For the developed cou tries, the oil bill will increase by $4 billion between 1973 and 1975 but th government of Iran, one of the membe of OPEC, had already taken steps t recycle the petrodollars accruing to i And other countries under the auspicio of IMF were already adopting measure to keep the wheels of world trade mov ing. Mr Kauross however warned tha the industrial countries must bring the inflation to a tolerable rate. If they di not, then the oil-exporting countrie would be justified in again raising th price of oil.

In answer to the question if the oi price hike and the Arab-Israeli conflic were in any way linked, Mr Kouros said that it was unfair to play politic with oil. In fact, the price of oil ha been raised in stages—the first increas having taken place in February 197 (Tehran Agreement). The first Genev Agreement of January 1972, the secon va Agreement of May 1973 and he oil embargo of September 1973 ved by a further agreement in Octo- 973—all these constituted stages in radual raising of the oil price.

Ir K. D. Malaviya, the central minis- or Petroleum and Chemicals described resent crisis as the payments crisis not the oil crisis. He saw it as a which failed to fix the economic or reasonable price of not only oil also of several other commodities raw materials whose finished pro- s were being sold by the industrialis- ountries at a high premium. This ation had been developing since the of World War II. He made a per- nt reference to iron ore whose price in no way linked with that of the es of pig iron and finished steel.

Jnder the auspicies of the Interna- al Monetary Fund, OIL FACILITY— w fund—was created last year to viate the balance of payments dis- ilibrium of some of the member coun- s. It was expected that this fund ld extend assistance upto SDR 3,000 lion, though till January 15, 1975, chases under the oil facility were ivalent to SDR 1,797 million only. Board of Governors of the IMF had ided on January 15-16 this year to tinue the oil facility for 1975 so as ncrease its funds upto SDR 5,000 ion. Also, recently a decision was en that a solidarity fund—a new fin- ial support arrangement open to the members of the Organization for nomic Cooperation and Develop- nt (OECD)—should be established as n as possible for a two-year period. s will constitute the safety net to be d as a last resort and will be estab- ed on the basis of quotas approxi- ely SDR 25,000 million. It is thus r that the IMF has made efforts to igate the misery of the countries ch became a victim of the balance of ments disequilibrium due to the p rise in oil prices and other factors. wever, many of the countries are still atisfied with these arrangements be- se they are afraid that the surpluses he oil-exporting countries are likely ssume astronomical proportions in coming years. With a surplus of $ 60,000 million in 1974, the oil-exporting countries—according to some estimates—are likely to have a surplus of $ 80,000—90,000 million in 1975 and around $ 100,000 million in 1976.

At the second seminar of the economic journalists a reference to which has been made earlier, Mr C. Subramaniam central minister of Finance, put forward the opinion that it was not the oil crisis which had been the beginning of the monetary crisis. It had begun, he said, much earlier. Not even the delinking of gold and dollar which took place in 1971 was the beginning of the crisis. Our country had experienced the pressure of the impending crisis through the prices of various commodities and raw materials which we were importing from foreign countries. Mr Subramaniam felt that if an attempt was made to solve the monetary crisis or the energy crisis in isolation, it would yield an abiding solution. He wanted the solution to be found in a wide perspective. He said: "We have to find an answer as to in which direction the humanity has got to move and whether we go back to the same position where progress was measured in terms of GNP and more and more consumption or do we want to take a different view from that"?

A note of caution was struck by Mr Y. B. Chavan, central minister for External Affairs, at the seminar while discussing the implications of the current global crisis. He felt that a major problem before the world in 1975 would be to ensure that the legitimate concern with economic order and maintenance of a healthy structure of international payments did not unwillingly lead to a major slump in economic activity. He was of the view that there were indications of the developed countries considering measures to restrict their trade to control the growing balance of payments difficulties. The resulting restrictionist environment for world trade was bound to have serious deterimental effect on the growth and employment, he added. In that case, the exports of developing countries were likely to become the first casualty. According to certain reliable projections, the non-oil-producing developing countries were likely to have a balance of payments deficit of $ 21,030 million in 1974 as against $ 8,000 million in 1973. The massive burden imposed on these countries by higher prices of fuel, fertilisers and food was evident from the fact that the deterioration in their balance of payments in 1974 was likely to be in excess of the estimated flow of $ 9,400 million of the official development assistance from the OECD countries. That was why Mr Chavan recommended that any attempt at restructuring the world economic system should pay adequate attention to the problems of the countries which had come to be known as "the most seriously affected developing countries."

The address of Mr Claude Cheysson,

Eastern Economist 30 Years Ago

FEB. 9, 1945

During the quarter ended December, 1944, the total number of offices of scheduled banks increased from 2,239 to 2,401 i.e., an addition of 162 offices, as compared with an addition of 95 offices in the previous quarter and 102 offices in the quarter ended June 1944. The pace of branch expansion in the fast three months of 1944 is the highest for the entire war period, the nearest to it being in October to December, 1943. Apparently the war-time impetus to branch banking has not spent itself, and what with the restrictions on the opening of branches. which would come into force after the Banking Bill is passed, a continuation of rapid expansion is only to be expected. Of the new offices opened in the last quarter of 1944, the three new banks added to the Second Schedule accounted for 32 offices, and the Imperial Bank closed one and opened eight, thus bringing its total to 419. The distribution province-wise is as follows: the Punjab 40; UP 19; Bengal 16: Bombay 14; C.P. 13; Madras 7; Bihar and Delhi 5 each; N.W.F.P. 3; Assam 2; Indian States 12. Of these 26, offices were opened at places which were not previously served either by a scheduled bank or by a non-scheduled bank having capital and reserves above Rs 50,000.

Commissioner for Development, European Economic Community, at the seminar of the Forum of Financial Writers was a refreshing attempt at not only understanding the current global crisis but also in presenting some suggestions to "turn it into a force for progress". He deplored the tendency to isolationism in the USA and Europe which he opined was caused by the sharp decline in growth and the mounting balance of payments deficits in some of the countries in 1974. But it would be wrong to jump to the conclusion that developed countries alone faced an alarming crisis. The developing countries were also seriously affected. The only countries which faced a favourable turn in economic affairs were the oil-exporting countries which received, according to Mr Cheyssen, about 70-80 billion dollars additional in 1974—10 to 15 billion dollars from the third world and 60 to 70 from the industrialised world.

Instead of being alarmed by this turn in international affairs, Mr Cheysson struck an optimistic note. He said: "Developing countries when they stand together for a certain power, can build up strength and bring about some degree of equality between industrialised countries and developing countries. We have to accept it and I frankly welcome it". At the same time, he welcomed the decisions taken by the United Nations and the International Monetary Fund to ease the world payments situation. In order to turn the present world situation into an opportunity of speedy development of poor countries, he recommended the capital flow from the oil-producing countries and the technical know-how from the industrialised countries to be married for the establishment of industrial plants in the developing countries.

Mr Cheysson also dilated upon the measures taken by the EEC to ensure "nominal return on exports of primary products". Citing the specific example of Ghana, he said: "Should Ghana in 1978 get less for its cocoa sales to Europe than the average of the three previous years, we undertake to pay the difference." In the new economic order, he saw the oil problem as an offshoot of the problem of raw materials and commodities. Added Mr Cheysson: "All of us have to join forces to come to a better deal on raw materials and commodities; this in my view one of the most important aspects of this new economic order." And he said that the extension of the Generalised System of Preferences (GSP) was an attempt by the EEC to allow the import of the maximum number of commodities duty-free.

An erroneous impression had however gained ground recently that all oil-exporting countries had piled up huge reserves of petrodollars. The fact to be noted was that most of the oil-exporting countries belonged to the category of developing countries and some of them had "relatively large domestic economies" which they were anxious to develop with the newly-gained wealth. To this category belonged Indonesia, Algeria and Nigeria. These countries had stepped up their imports with the result that their reserves were not growing at the same pace as tho such countries as Saudi Arabia whic hardly any plans of economic dev ment. Among the oil-exporting coun Iran had in fact taken a lead in impo plants and machinery so as to haste development of its economy. It had made it clear to the oil-exporting c ries that it would not join another emb on the supply of oil to developed cou because it did not believe in playing tics with oil and was anxious to us petrodollars for setting up produ machinery. The Shah of Iran is re ted to have stated recently: 'We nee to the last cent of the money which e from oil". The constructive approa Iran, Indonesia, Algeria and Nigeria ultimately result in a cooperative effo make the most of the oil resources.

Indo-Pakistan trade

THE KEENNESS with which the trade protocol signed between India and Pakistan in November last is being followed up augurs well for the normalisation of relations between the two countries. This process, initiated with the historic Simla talks between Mrs Indira Gandhi and Mr Z. A. Bhutto nearly three years ago, after the Bangladesh conflict, indeed, made a very slow progress till about the middle of last year. But since then the frequency of meetings between the representatives of the two countries has increased a great deal, even though the exchange of envoys has yet to take place.

As envisaged in the protocol, the two countries signed last month, more or less according to schedule, a formal trade agreement. Initially, this agreement is for one year, but would be extended automatically for two more years, unless terminated by either country on giving three months' notice before the end of the first year. Accord had been reached on the restoration of postal, travel and telecommunication facilities between the two countries even prior to the signing of the trade protocol. A few weeks ago, shipping arrangements were also finalised and restrictions on the opera of shipping services carrying cargo ween Indian and Pakistani ports withdrawn with effect from Februar The shipping services are to be resu from February 15 and vessels of ei country and their crew and cargo enjoy most favoured nation treat regarding entry, stay, loading or unl ing of cargo and leaving of p Parleys on the resumption of rail and traffic too are expected to take place s Along with the finalisation of the agreement, banking arrangements been decided upon. To begin with, trade between the two countries is to financed through the State Bank of I and the Bank of Pakistan. The p bility of the other banks being bro into the picture in the near fu of course, is not ruled out.

Already good progress is being m in regard to actual business transacti Following the visit of a cotton delega from here to Pakistan and the month's sojourn to Islamabad by commerce secretary, Mr Y.T. Shah signing the trade agreement, a Paki delegation has just visited this cou and finalised the details of a deal inv ing the supply to this country of 200, bales of raw cotton valued at Rs crores. This cotton is intended to used by Indian mills for export prod tion. Besides raw cotton, we have sh t in importing coarse varieties of Pakistan is said to be having a ie surplus of this commodity.

other delegation from Pakistan is ed to visit us towards the close rch or in early April to assess the ilities of purchasing from us is other items listed in the trade col. These include engineering , jute manufactures, iron ore, rail- equipment and tea. Pakistan is stood to be keenly interested for me being in importing from here nanufactures, railway equipment and As regards iron ore, only small im- are envisaged at present for analysis ose to find out whether our iron ore d suit for the steel manufacturing plex being established in Pakistan.

s stipulated in the protocol, trade sactions in the immediate future are be confined to the state agencies. le on private account is not g opened up for the time being he two countries desire to give a ite direction to trade relations which being resumed after nearly a decade. But government-to-government trade does not imply that it is to be balanced. Significantly enough, this trade is to be carried on in freely convertible currencies within the framework of the foreign exchange regulations in force from time to time in each country. The two countries also are to accord to each other the "most favoured nation" treatment in accordance of the provisions of the General Agreement on Trade and Tariffs (GATT).

In the initial stages, Indo-Pakistan trade, of course, may not be very substantial as the list of commodities to be traded in is heavily weighted in our favour. But surely, a host of other items can be identified in course of time as Pakistan has sizeable capacities to produce several items which it used to export till 1971 to Bangladesh, then its own eastern wing, and we too have developed competence in the manufacture of a wide variety of goods—consumer products as well as capital goods. Already, besides the items listed in the protocol, Pakistan has shown interest in our coal and automobiles parts and components. The freight advantage which the two countries have in trading with each other is of particular significance. This can help expand Indo-Pakistan trade a great deal. Before trade relations were snapped in 1965, we used to export to Pakistan goods worth over Rs 12 crores. Our imports from there were of the order of Rs 2/3 crores. But the two countries have progressed substantially since then and are in a position to exchange a large number of goods.

Incidentally, two important items of export from here to Pakistan—betel leaves and nuts—and one item of export from Pakistan to us—rock salt—are not being traded in for the time being. The trade in these commodities used to be quite sizeable before 1965. It can still be substantial once it is decided to include them in the list of tradeable commodities. The omission of betel leaves and nuts is said to have its genesis in the controversy raging in Pakistan on whether to allow the "pan" eating habit to grow or not. As regards rock salt, perhaps Pakistan intends to restrict its use by its chemical industries.

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FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Steel and Copper Production • Indo-Australian Economic Cooperation • EEC's GSP

The significant developments have taken place in the past few days which will have a very vital bearing on our import programme next year. These are the commissioning of the copper smelter at Khetri and the expediting of the conversion of pig iron into steel at Bokaro. While the commissioning of the Khetri smelter early this week is anticipated to yield 2,000 tonnes of copper by the end of the current financial year, the expediting of the conversion of pig iron into steel at Bokaro may yield 30,000 tonnes of slabs by the end of March.

increased outputs

The outputs of the two units are expected to go up considerably during the next financial year — that of the Khetri project to about 8,000 tonnes of copper and that of Bokaro to at least 400,000 tonnes of steel. This will help in substantially reducing the imports of both copper and steel. According to the indications available, imports of steel are envisaged to be reduced by one-third from the current year's level of nearly a million tonnes. If the Khetri project is able to produce next year 8,000 tonnes of copper, and there is some improvement in the output at the Ghatsila smelter, as is anticipated following somewhat improved power supply position in east India, copper imports may go down by about 15 per cent. Currently, we import about 55,000 tonnes of copper annually. The above estimates of curtailment of imports of both steel and copper take into account the likely increases in the requirements of the two metals.

Firm indications are now available of the production of finished steel during the current financial year exceeding even 5.5 million tonnes, the level estimated a few days ago. Besides the additional output expected from Bokaro, the encouraging trends at the other integrated steel plants in January have been responsible for the upward revision in the overall production estimate.

As a result of the improvement in the availability of coal — thanks to the special effort made by Bharat Coking Coal Limited to increase production of coking coal, Bhilai's initial success in using during the last two months lower grades of coal to the extent of nearly 30,000 per month, and railways being able to provide adequate wagons — coal stocks with the integrated steel plants are understood to have shown sizeable increase during the last month. Currently, on an average, they amount to six days' consumption of the various steel plants, as against four or five days' requirements in December.

With a view to enabling the coal industry to generate resources for investment in the next four years, the union government is understood to be considering increase in coal prices. It is feared that adequate resources may not be available for the development of coal industry.

* *

The Australian minister for overseas trade, Mr Frank Crean, who was here last week for discussions with the government of India on Indo-Australian economic cooperation and trade matters, assured newsmen in an informal talk that his government would adhere to the liberal policy adopted by it a couple of years ago in respect of imports from the developing nations under the Generalised Scheme of Preferences (GSP). The restrictions imposed on imports of cotton textiles and footwear, he explained, did not amount to the abandoning of the above scheme. They were not any new restrictions. What had happened was that the interpretation of the above scheme had been standardised with a view to curbing the inflow of inferior goods from countries other than India. Australia, he stressed, was not retreating from liberal trade policy towards the developing nations despite increase in unemployment there.

India's exports to Australia, Mr Crean contended, were not much affected as nearly 50 per cent of them were covered by the term handicarfts. This view, however, is not shared by the government of India, which feels that higher Australian tariffs on coarser and heavier varieties of cotton textiles, compared with those on the finer varieties, would definitely affect our interest. This fact is understood to have been brought to the notice of Mr Crean by our Commerce minister, Prof. D. P. Chattopadhyaya.

Referring to iron ore exports, Mr Crean observed that the views of his government were practically identical to those of the government of India on the formation of an association of iron ore exporting countries. Neither the government of Australia nor the government of India, he pointed out, wanted the proposed association of iron ore producers to take the form of the organisation of petroleum exporting countries. Both were interested in better prices for their iron ore through consultations among the producers and consumers.

aid for woollens

Mr Crean disclosed that Australia had offered assistance for improving our woollen industry. A joint project had been proposed for this purpose. Australia would make available both wool and technical assistance for this project which would help our country in becoming a major exporter of woollen garments and textiles. The project is undersood to have been approved by the Commerce ministry. It is now awaiting clearance from the union cabinet.

According to the joint communique issued at the end of the Mr Crean's visit, an Indo-Australian trade agreement is expected to be signed by June next, providing for a good deal of expansion of trade between the two countries. Our government, it is learnt, has also shown interest in importing fertilizers from Australia. Concrete shape to this proposal, however, is expected to be given in a couple of years when the Broken Hill Phosphate plant in Queensland goes into production. Currently, Mr Crean stated, there were no surplus supplies available in his country.

* *

The director-general of external relations of the European Economic Community (EEC), Mr P. Cecchini, who was here early this week for a two-day seminar on Indo-EEC trade under the generalised scheme of preferences — the seminar was sponsored by the union Commerce ministry and the Indian Institute of Foreign Trade — has indicated that the GSP of the EEC for the next year would be ready by the end of May for presentation of the Community's council of ministers. While not ruling out some improvements over the scheme for the current year, he, however, cautioned against any significant changes in view of the threatened global recession and the sea-change in the economic conditions of the EEC countries following the oil crisis. The EEC countries, he stressed, were not only facing a slowdown in their growth rate but were also confronted with the problem of absorbing a high rate of inflation. They had to maintain a reasonable degree of new investments to prevent any fall in employment, leading to lower rates of consumption. In such a situation, some readjustments in GSP were possible but to press for a higher degree of liberalisation could be expected to create psychological difficulties.

Mr Cecchini found the Indian suggestion for extending the period of GSP operation from yearly basis to three years at a time as interesting, but opined that the implications of this would have to be thoroughly gone into. In view of the uncertain trends in global prices, the extension of the GSP operation from yearly to three-year periods, he observed, might even erode some of the benefits flowing from the scheme to the developing countries.

Referring to the plea of developing countries for increased assistance from the EEC so as to enable them to keep up the tempo of economic activity, the director-general of external relations of the EEC expressed the view that any special accommodation might not be possible from the Community since the Community itself had been hard hit by the energy crisis. The problems arising out of the oil crisis, he added, could not be solved by the generalised scheme of preferences. He preferred a tripartite cooperation between the EEC, the oil producing countries and the developing countries to make use of the surplus funds available with the oil producing countries.

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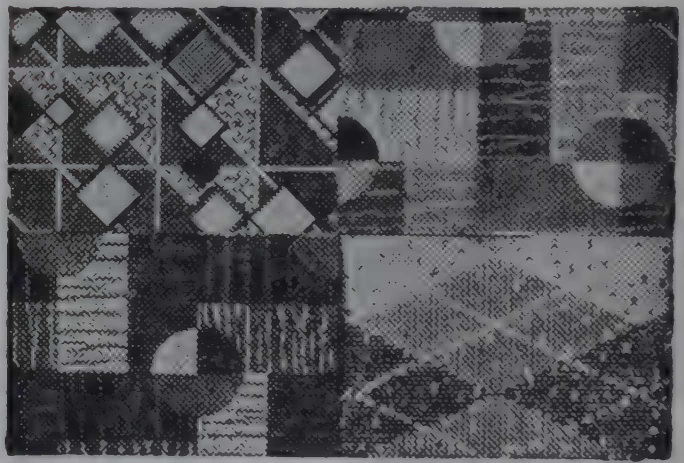

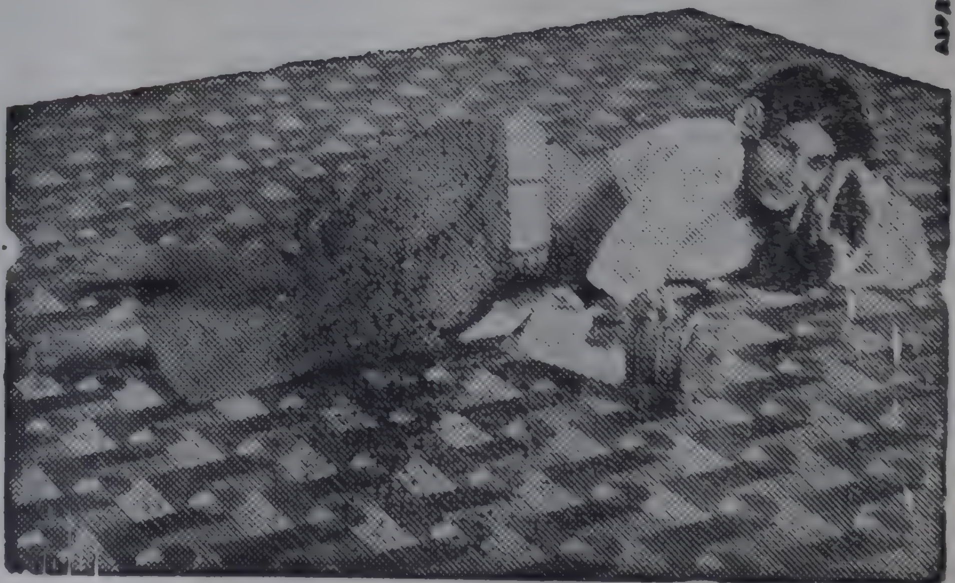

POINTS OF VIEW

Industrial collaboration with OPEC

J. R. D. Tata

The second International Seminar of Economic Journalists was held in the capital from January 22 to January 28, under the auspices of the Forum of the Financial Writers, New Delhi. We reproduced the views of some of the participants in our issue of January 31, here we reproduce the views of some more participants of the seminar. The last instalment in the series will appear in our issue of February 14.

THERE IS obviously no simple solution to he complex problems we face in the world oday — in this new world order as so rightly described by Mr Cheysson — a description reinforced by Mr Haksar's statement that one of the tasks before us is to clear away the debris of the past. Every country has been affected in some way by the present crsis, a remarkable feature of which, a Mr Cheysson said in his admirable speech, was that in one respect it has brought equal distress to the industrially affluent world as to the poorer, developing countries such as ours.

I should like to deal with the problem from India's point of view and to look for solution which, while they are in the interests of India, will also fit into pattern of world cooperation, so essential to a global solution.

continuous efforts

As Mr Haksar has said since the first World War, there have been continuous efforts in the world to find ways of cooperation in the economic and financial fields in order that we may find a way to live and prosper together. These efforts have failed upto now and the present crisis makes clear the need for a new approach. Now for a country such as ours it is obvious that whatever the causes of the crisis, the main task for many years remains a struggle against poverty. It is not perhaps realised that even if even if we were most miraculously to achieve a nine per cent rate of economic growth year after year for the next 25 years, by the year 2000 we will still achieve a per capita income of only about $600, a figure already exceeded today by a number of developing countries.

This is a measure of the task before us. No wonder that Mr da Costa should talk about the need for some compassion towards a country such as ours. While in the short term this might help us solve immediate problems, we cannot and should not expect or look to compassionate solutions to our problems in the long run. Certainly assistance of the kind already announced or hinted at by countries such as Iran and other friendly countries will be of vital help to India and we are deeply grateful to them for such an approach inspired by a genuine desire to help us and other developing countries against the impact of high oil prices. But it is clear that we can rely on this approach only for solving our transitional problems.

We must also remember that unlike the kind of long term aid we have had from the World Bank, the US government, or the USSR in the past, what we are now promised is really short term aid. The loans or credits we may obtain directly from OPEC countries or through institutions like the IMF, will have to be repaid over a period of seven or 10 years. However valuable these loans may be and however grateful we may be for them, they will impose on India the essential need to generate the resources necessary to repay them. In other words, the problem for India is going to be one largely of the problem of creating exportable surpluses, a difficult task for a country such as ours, in which, with rare exceptions, shortages exist in most of the products that could be exported.

Unless we can create additional exporttable surpluses increased exports can only be made at the sacrifice of local consumption. For instance, exports of sugar in the last few years have been enormously helpful to our balance of payments, particularly in the last year. But let us realis that it has been posible only because the people of India cannot afford to consume all the sugar they need.

So larger exports of consumer commodities or products will involve us in a continuous balancing act between depriving our own people and meeting the needs of exports to surmount our balance of payment difficulties. Not only must we establish export surpluses quickly but we must do so on a very substantial scale. Otherwise, how will we meet our heavy debt liabilities? Our foreign aid liabilities are so heavy that even today any new aid received is used mainly to repay the debts of the past and there is little left to finance development.

India has never defaulted in the past and will not default in the future. Therefore the new situation that exists today in this new world order presents for us a combination of both serious dangers and limitations as also great opportunities.

no glamour exports

India has the serious disability, compared to many other countries, in that it has no glamour exports, no oil, no copper, no huge supluses of vegetable oils. The exportable surpluses we must create will have to consist largely of industrial or semi-industrial products of the kind that other countries do not produce at all or sufficiently to meet all their needs.

Coming to brass tacks, I feel that solutions to our specific problems must be looked for not so much in discussions at conferences, but in focusing efforts on identifying projects which can form the basis of meeting the need both of ourselves and that of other countries with whom we seek to collaborate to our mutual benefits. We must, in other words, identify areas in which we can create the surpluses with the help of those who are in need of them.

It seems clear to me that in a country such as ours, where investible resources are so limited and so much of them must be devoted in the coming years to the rehabilitation and large scale expansion of our agricultural and agro-based industries and to meeting infrastructural needs such as power and transport, we just will not have the resources to undertake on our own the expansion of our manufacturing industries on the scale required to produce the large exports we need to survive. Therefore, there is no escape from the act that we must find sources abroad for financing such expansion.

political objections

I know that there will be political and other objections raised against large scale foreign investments. But the need to raise fresh resources is so imperative, if we are to develop exportable surpluses, that we must overcome the objections. Assuming this is done, where should we look for such foreign resources of investment? It seems to me that, in view of the massive transfer of wealth which is taking place to OPEC countries and of their own development needs for the years to come, it will be in trade and collaboration arrangements with the oil producing countries that the greatest potentiatialities will exist for a mutually beneficial network of industries to be established.

Amongst the products to consider as being the most likely to match their needs with our proved capacity to produce need not necessarily be highly sophisticated products or equipment of very large size. As Mr Krishnamurthy has pointed out, the advanced industrial world has gone in for the production of very sophisticated and very large sized electrical equipment, I believe that in the development of OPEC countries of Africa and the Middle-East, there will be a greater need for simple, sturdy and middle sized equipment which India itself is courrently using.

Leaving the field of electrical machinery, which is quite outside mine and which Mr Krishnamurthy has covered very adequately, let me try to identify other new products or prjoects.

A large number of textile mills are being established in OPEC countries, Africa and the Middle-East. India makes excellent textile machinery, which is the cheapest in the world. The bulk of its own large textile industry is equipped with its own machinery. To my mind, this is one possible field of collaboration.

India makes many other forms of machinery which are being exported even today to many countries of the world, including the industrialised ones. We may have failed in many things that should have been done in the last 25 years, but one thing we have achieved is a very large diversification of our industrial infrastructure. In chemical plants for instance, we have not only created substantial manufacturing capacity, but we have also developed considerable expertise and the technical know-how both at the top management level and also in what, in military terms would be called, the important NCO level.

We have talked of sugar. Apart from sugar, what about meat? This may raise certain socio-religious problems in the country, but they have to be overcome. Africa, Arab and other Middle-East countries are large consumers of meat. India has, perhaps, the largest cattle population in the world and may there not be potentialities for establishing meat packaging plants and for cattle breeding on a large scale on some form of cooperative basis? There is, I think, in India, a real potential in sharing its cattle wealth.

Allied to cattle is leather. There will be a growing demand from the OPEC countries and from African countries for leather and leather goods. India is a country which can create a very considerable exportable surplus in leather goods, in cooperation with out friends in these countries where these will be sold.

considerable strides

There is refrigeration. India has made considerable strides in the field of refrigeration. There is practically no aspect of refrigeration and airconditioning, large and small, water cooling etc., which India is not capable of producing. But it has not got the capacity today for large exportable surpluses of such equipment. Considering that most of the areas in the Middle-East have a climate which makes refrigeration and airconditioning essential to modern living, is there not a field here where we could jointly investigate the possibility of creating, rapidly, a much larger production capacity for such equipment than we now have today?

There are also certain industries some of which could be established in our country and some of them in our friends' countries or, perhaps, in both. Take, for instance, iron pellets. We
know that, almost every country in
world feels that possession of a s
plant is an essential criterion of its c
status and industrial independence. Sor
times it goes beyond what is reasona
or economically sensible. But there
undoubtedly a considerable developm
in the world today of steel being m
on a small scale and quite viably—w
we have been calling in our coun
"mini-steel plants". The only probl
here is power and power will be no pr
lem in those countries which have
We have the expertise in this cour
to build such plants. It may be t
we have a contribution to make in ret
for financial assistance from our frie
in the OPEC countries.

building boom

Then take cement plants. We hav
large cement industry in this coun
that could have been much larger to
had it not been for certain price polic
that our government found it necess
to impose. In the developing are
of Africa and the Middle-East ther
going to be a tremendous amount
building activity. No building program
of any kind is possible without very la
quantities of cement. I think that In
might, in collaboration with other co
tries, either in the public or private s
tors, quickly establish cement plants b
in India and abroad for supplying
growing needs of the Middle-East
Africa.

In the case of heavy chemicals, pa
cularly caustic soda and soda ash
which India has perhaps the best
pertise in the world the capacity to
sign, operate and service such pla
I believe that oil producing count
will want to concentrate to some ext
on the development of chemical ind
tries. Here again India could, perh
help them as well as be helped by th
in the growth of the chemical indus
in this part of the world. The sa
would apply to the fertilizer indus

India has enormous resources in i
ore. Till now the talk has been me
on exporting large quantities of iron
to Japan particularly, but also to ot
countries. It may be that, instead of
porting iron ore, the more profitable th
would be to turn it into pellets or spo
iron before it is converted into st
One problem there is that it would n
oil or gas or coal. Therefore such pla
could be established in countries that h
oil. A combination of Indian iron

d the fuel of those countries could be ned together in some collaborative angement to create steel capacity abad.

India has vast bauxite resources. e trouble with aluminium is that, if u go beyond the alumina stage, you ed a very large quantity of electric wer of which there is a shortage in r country. It may be that bauxite posits of India could be turned into umina in our country and transrred to those countries that have fuel — here they will naturally have no power oblem — to be turned into aluminium. some cases even aluminium plants uld be established in our own country ith captive power plants as joint enterises.

xport of know-how

Apart from these products, there is also e question of know-how, management d manpower. Take, for instance, construction activities. In African and Arab untries, as I have said earlier, there is ing to be a tremendoss amount of construction of all kinds, public buildings, ms, bridges, office buildings and so on. here is almost no limit to the construconal activity that will take place. This ill require not only cement and steel, but so engineering skills, at the designing age and in the field. It will also need nsiderable trained personnel. For those untries that do not have enough personnel of that kind, India can provide chnicians and trained personnel for nstruction activity.

There are other items such as trucks, for stance. It may not be known to many at India exports already a substantial umber of trucks, some of them assembled broad. Indian trucks often happen to e more suitable than the trucks supplied y more advanced countries because, while e latter are most suitable for smooth ads, ours are sturdier and made specically to operate on rough roads and most f the rural roads in this region are rough. don't know whether other countries are miliar with this, but we in our country ave a problem of overloading. There an incredible amount of overloading of ucks in this country, and the trucks built India, including that by the firm with hich I am connected, are specifically uilt for such overloading!

Similarly, in railway equipments, coach uilding and many other industries, there hould be opportunities for collaboration nd for meeting each other's needs. By such means I do sincerely believe that apart from soft loans, aid and compassion, our friends of the OPEC countries, without having to pay a higher price for their needs, could help India and other developing countries in the setting up of such industrial capacity in their own and other countries in preference to doing so in collaboration with more advanced counries.

For such a programme of collaborative enterprise to fructify there will need to be some changes in our own government thinking. Until now our government and the very able but somewhat cumbersome bureaucracy they have created have tended to make collaboration agreements, foreign investments, new investments and installation of new plants a very difficullt and time consuming matter. I hope that in the crisis that we face today, and that we will have to face for many years to come, we will realise the need in such matters for quick decisions, simplification of procedure and the acceptance of the principle that foreign investment of the right type under reasonable control and conditions will not only be not harmful to our country but essential to its rapid economic development.

For the last few years we have been faced with a resources gap of Eric da Costa's magic figure of about one billion dollars. With the rise in the prices of oil, fertilisers and other commodities, we need approximately another one billion dollars.

Therefore, the main thrust of my suggestions or of my them is that there is no escape from the need to invite additional investments to our country. If we receive oil on credit, that oil by itself will not create new assets, will not create new industries. It will help us to produce more but it will be consumed in the process. Surely a better long-term solution will lie in the creation of new productive assets not only for satisfying our own needs but for producing exportable surpluses required to meet the additional cost of oil and other essential commodities that we have to import.

As I see it, the best possible source of that kind of additional resources is in collaboration arrangements with our friends in the Middle-East and other parts of the world who are fortunate possessors of great financial resources, to which our resources in material, men and in technology can be married to the benefit of both.

Eastern Economist Annual Number 1975

This special issue, dealing with "inflation in the world economy," discusses in depth and detail the major economic developments and trends in recent years which have resulted in or contributed to the problems of economic stability, growth or development which the countries of the world face today. The economic situation in different parts of the world is described and analyzed and profiles are presented of a large number of national situations. India's own economic circumstances and prospects are viewed in the larger world perspective as well as in terms of its own specific problems and requirements. The annual number is illustrated with analytical and descriptive charts and statistical tables. Priced at Rs 15 per copy this special publication is on sale with leading booksellers and it can also be had directly from :

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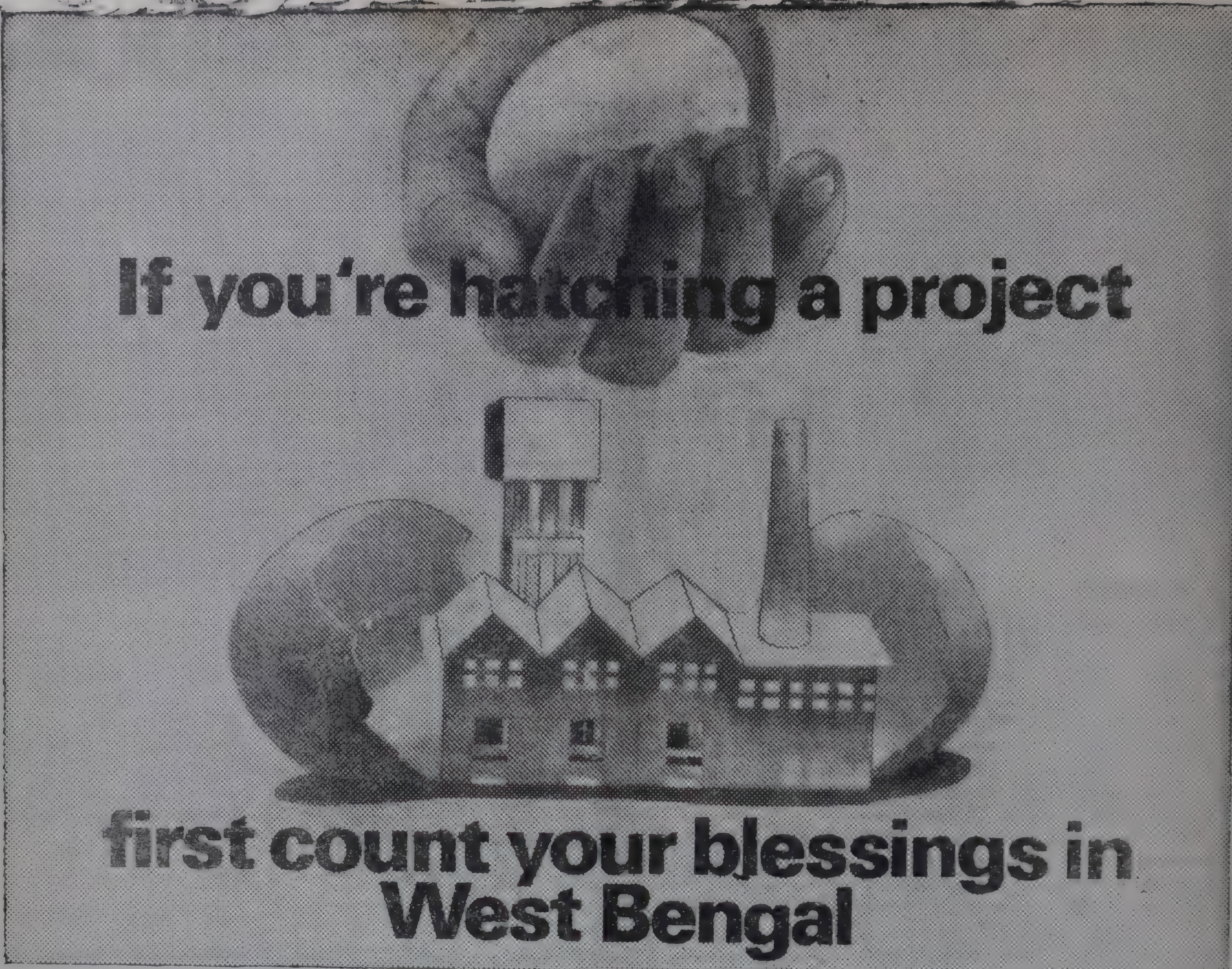
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POINTS OF VIEW

Correcting the international economic disequilibrium

Y. B. Chavan

TO ANY observer of the world economic cene, it is quite obvious that an unprecedented economic crisis is enveloping he world. Its impact may vary from ountry to country and continent to coninent. For some, it threatens the expecations of unending affluence; for others, t endangers even the reasonable aspiraions for improvement in their lot. It may be tempting to believe that the cri-is is acute only for the industrialised ountries with their enormous requirements of energy. It might also be argued hat some countries which are fortunate n being nearly self-sufficient in their requirement of energy, are immune to the risis. Some countries may try to buy mmunity in the short run by resort to protectionist practices, but in this way ies no solution. In fact, here may lie eeds of instability and threat to international peace and order. We have long alked of the indivisibility of peace but n today's context global interdependence has become a more vivid reality than at any time in history and the global problem requires a global solution.

historical perspective

Looking at today's economic problems n the perspective of history, one cannot but wonder whether the world is not facing the consequences of having ignored the logic of global inter-dependence in the past. Perhaps the economic crisis of today might not have been so severe if the world economic order had not been distorted by the forces of colonialism and imperialism, further aggravated in recent years by the compulsions of cold war. The same process of distortion of the world economy, as a whole, was accentuated when the price structures of manufactured goods were allowed to outstrip by a wide margin the benefits accruing to the producers of raw materials, resulting in widening the chasm between the developed and the developing nations.

Even before the energy crisis, there was a heightened awareness that the environment which we need for physical survival of the human species on this planet was being dangerously polluted. We were also beginning to be aware that we were fast plundering the reservoir of resources—most finite and non-renewable to be sure—that mankind requires for its continued well-being and growth. The energy crisis has merely underlined this fact of life.

political interdependence

We recognise that we cannot undo overnight the imbalances created by the concentration of industrial, technological and monetary advantages of the past. But it would be relevant to take to heart the lesson that even in this era of sophisticated technology and multiplicity of material requirements, of galloping energy needs and gigantism in production units and markets, we would ignore at our common peril the logic of world-wide political inter-dependence.

At this stage, I would like to sound a note of caution. A major problem before the world in 1975 will be to ensure that the legitimate concern with economic order and maintenance of a healthy structure of international payments does not unwittingly lead us into a major slump in economic activity. There are indications that some of the developed countries are considering measures to restrict their trade to control the growing balance of payments difficulties. The resulting restrictionist environment for world trade is bound to have serious detrimental effect on the growth of output and employment. In this eventuatity, the first casualty will be the exports of developing countries. According to reliable projections, the non-oil producing developing countries will show a balance of payments deficit of $ 21 billions in 1974 as against $ 8 billions in 1973.

The massive burden imposed on these countries by higher prices of fuel, fertilisers and food will be evident from the fact that the deterioration in their balance of payments in 1974 is far in excess of the estimated flow by $ 9.4 billions of the official development assistance from the OECD countries. Any attempt at re-structuring the world economic system will have to pay adequate attention to the problem of the countries which have come to be known as most seriously affected developing countries. There is no doubt that recycling of petro-dollars has a useful role to play in smoothening the process of adjustment to new realities, but the problems of today require a truly global approach.

It will be necessary to avoid the beaten track of investment in short term deposits in old financial capitals or real estate purchases and equity participation in the multi-national corporations. In fact, we may now have an opportunity, as never before, to combine the most economic use of world technology and resources with the demands of international social justice. Whatever machinery is created for re-cycling of thc petro-dollars, rational as well as economic considerations point to a much bigger investment and flow of funds to the under-developed world.

urges and aspirations

Naturally, the blueprint for the marriage of tcchnology, skills and [financial resources should be prepared under the auspices of such forum which truly represents the urges and aspirations of the developing nations and is not weighted in favour of the old vested interests. The forum of non-aligned countries is perhaps the most appropriate one since a majority of developing countries and oil-producing countries are non-aligned. Apart from enabling the developing countries to tide over the current economic crisis, this will also strengthen the solidarity of the non-aligned movement and promote economic cooperation among developing nations.

We in India have never stood for international confrontation, be it on the economic or political plane. Our constant endeavour has been of cooperation and search towards practical steps to correct the international economic disequilibrium. In the present situation, there is a great potential for bilateral and multilateral cooperation marrying financial resources and advanced technology with the skilled manpower, natural resources and the industrial base available in India. I can, therefore, say with confidence that India would be a dedicated partner in any design which may emerge from the logic of enlightened global inter-dependence.

The challenge before us is to sustain the momentum of economic development over a wide field and to do so in a manner which avoids the extreme of confrontation between the hyper-affluent and the desperate poor. I repeat it is a truly global problem, and enlightened self-interest, I hope, it wi possible for the world to devise ways means of transforming the crisis of t into an opportunity for bringing a a more just and stable economic orde

Neutralising the high cost of oil imports

H. T. Parekh

THE HISTORY of flows of external capital shows that they have gone through various vicissitudes, depending upon the industrial development of a country, its external balance position, its surplus of savings, stability of exchange rates development of institutions to mobilise and transfer capital and general confidence in international lending.

If we take only the last hundred years of external capital flows, it would be found that capital outflows in the last quarter of the nineteenth century were mainly those from colonial countries (the UK, France and Germany) to their colonies. Such flow took place very often on a government loan basis when the colonies floated loans, particularly on the UK capital market. Second, large corporate enterprises in the UK, France and Germany often invested vast funds in their colonies, particularly African colonies, to develop their raw material sources. Institutional investment of capital, through banks and insurance companies, was still limited and it was left to corporate enterprises in developed countries to raise resources in their home countries and to invest them in the colonies. There was little need for setting up joint enterprises in the colonies since companies in colonial countries could open branches, or at worst wholly-owned subsidiaries to exploit the raw material sources; portfolio investment, therefore, in enterprises was limited.

loss of colonies

The World War I gave rise to two factors which affected seriously international capital flows. First, it almost wiped out the foreign credit which the UK, had built up. Germany lost its colonies. Moreover, many countries in Europe, particularly Russia, refused to honour, in the post-first World War period, the pre-war debts of their earlier governments. Second, the period after 1918 was marked by considerable economic instability. The UK went back in 1925 to the gold standard at the old parity rate of exchange, only to withdraw from it in 1931. The United States had a major economic depression in 1929, which spread to other advanced countries, making for large unemployment (and little ability or willingness to make international loans) in these countries. The USSR in a small way, made internattonal loans for political reason—to Turkey. Germany tried to reflate its economy by resort to armaments and to bilateral barter deals.

economic instability

The whole period of 1918-1939 was marked both by currency and economic instability. At the same time, institutional financing increased through banks and insurance companies and, to some extent, portfolio investment began to be developed. The United States began to invest in Canada and in Latin American countries. Overall, however, the free flow of capital which one noticed between 1875 and 1974 was almost non-existent during the period 1918 to 1939.

The post-second-World-War period, unlike the post-first World War period, saw a major movement towards better economic management and greater economic and currency stability till almost 1970. First, the allied governments set up the International Monetary Fund to make for stability in currency values, and the International Bank for Reconstruction and Development to provide capital funds for development on an international basis. Second, many governments emerged as givers of foreign aid, mostly on a bilateral basis. Third, with greater confidence in economic and currency stability and with greater nationa on the part of newly independent cc ries, joint enterprise (as distinct f branches and wholly-owned subsidia became the more favoured form of porate investment across internati borders, and institutional agencies b to take on active interest in investr outside their countries, whenever fi permitted.

large capital flows

Under this dispensation, large ca flows took place across nati borders. First, capital has flowed wi the group of advanced countries, example, among the USA and the France, West Germany and Canada. F in those advanced countries there h been bouts of nationalist fervour a for example, both France and Ca have resented the encroachment of f ign, particularly the US capital, in t national economies. Japan whose ind rial structure was destroyed in the sec World War, managed, by a policy nationalism, to keep out foreign cap except on a portfolio basis. Second, la transfers of capital. mostly on governn to government basis, have taken p from the advanced countries to deve ing countries.

The number of countries mak such transfers has increased to c the earlier vanquished countries s as West Germany and Japan: moreo the Soviet bloc of countries has a begun to emerge as a supplier of capi though on a limited basis and very o on consideration of their internatio policy. Beginning at a small le the amount of aid flow has increa rapidly and is now estimated at ab $11 billion. Of this, about 20 per c is provided by the World Bank, alm 70 per cent by the advanced countr about 10 per cent by the Soviet bloc tries.

n the last four years the whole situa- has undergone a major change. The of price and currency stability dis- eared in 1970-71, Advanced countries subject to inflation rates which now between 12 to 18 per cent per year, most of then have now adopted ing rates of exchange, adding one re hazard to international transfer of ital. Many countries also suffer from ance of payments difficulties, with the ult that they have tried either to tie to purchases within their own coun- or to reduce the flow of their aid. strictions on transfer of capital, parti- arly in the United States, have led to emergence of an entirely different se, namely, the Euro-dollar and the ro-currency market.

new dimension

To this situation, a new dimension s been added by the oil crisis; oil ces have risen four-fold. Since in ad- nced countries oil enters both indivi- al and industrial consumption, their enditure on oil imports has in- eased correspondingly, without bringing out any reduction in their oil bill. is has created an apparent large lance of payments problem for these untries as also for developing count- s.

One consequence of this development s been that income-transfer has taken ace to a small group of oil-producing untries. Some of these oil-producing untries, such as Nigeria and Indonesia, ve large populations, and given their velopment needs, they would be able absorb their oil surpluses in their velopment programmes. Iran has ken the course of using its additional oil venues in armament purchase, in local velopment and in purchase of indust- al and real property assets abroad. The ss populated countries such as Saudi rabia and Kuwait do not have these pportunities open to use their oil sur- uses and these surpluses have, therefore, nerged as large liquidity problems for e developed countries.

The oil countries have still to build a philosophy on international aid. me of them have provided oil to eveloping countries on a deferred credit asis; this has not reduced, but only hased out and postponed over a period, he burden of the price increase. Many countries, such as Kuwait, are also setting up institutional facilities to transfer a part of their oil surplus for aiding developing countries in Asia and Africa. Necessarily, it will take some time to build up institutional infrastructure and in the meantime, developing countries will have to put up with the burden of higher oil prices and temporary arrangements to finance the higher oil cost.

The brief review of international capital flow shows that, at different times in the past, different groups of countries have emerged as providers of capital on varying considerations. While in the past capital flows were on a free basis and were, in the case of industrial enterprises, of a self-financing character in that the investment led to an outflow of raw materials to service it. In more recent times much of international transfer of capital is on government-to-government basis and a large part of it is intended for development of local enterprise.

How does India stand in this international context? India has been a large borrower of capital abroad, partly from multi-national agencies such as the World Bank and partly on a bilateral basis from advanced western countries such as the USA, the UK, Germany and Japan. At one point of time in the early sixties, such capital inflows, on a net basis, almost neared one billion dollars. In addition, India has been receiving mostly project aid for specific large projects in the public sector from the Soviet bloc countries.

declining aid

However, since the mid-sixties, the flow of capital has slowed down for two reasons. First, as various advanced countries have run into balance of payment difficulties or have become unhappy with India's foreign and economic politics, the amount of capital transfer from them to India has tended to decline. Second, repayments on the earlier borrowings made by India have already begun, with the result that a substantial part, at present almost 50 per cent of the gross capital inflow, is now used up to service past debts. For both these reasons, the actual volume of transfer of capital to India has remained at a relatively low level. The only bright spot in this situation is the continued willingness of the World Bank not only to maintain its operations in India but to increase them under the new McNamara programme of sharply increasing the general role of the World Bank in international lending.

India has so far developed small oil reserves, and production from local sources hardly meets one-third of India's oil requirements. India, therefore, imports at present about 10 to 12 million tonnes of crude oil to meet its energy requirements, mostly for industrial energy and for production needs. While, in relation to international trade in oil India's requirements are small, but in relation to India's external trade and its balance of payments position, these are pretty high. The four-fold increase in the price of oil has increased India's imports bill by almost Rs 1,000 crores or 40 per cent of the pre-price-increase imports. India has tried to meet this problem in various ways, particularly by arranging deferred credit facilities with some oil producing countries and by borrowing from the International Oil Facility set up by IMF.

intensified search

I can mention various factors which go to help India in meeting this problem—let me say not immediately but only in the long run. First, our oil exploration effort has been intensified and we have also allowed foreign capital to enter the field of oil exploration in off-shore areas.

In addition, India has entered into various bilateral contracts with the oil-exporting countries to develop giant projects in industry. Examples are export of Indian iron ore and pellets to the oil-producing countries for the manufacture of steel, export of cement for their construction programmes and export of bauxite or alumina for processing into aluminium.

India has also the opportunity to provide technical and other personnel to the oil-producing countries in developing their economies. India has a vast infrastructure of skilled and educated human beings which can be used to further international contacts and the industrial development of the oil-producing countries.

Finally, one must consider how far India's own resource position and industrial effort will be affected by these factors in international transfers of capital. It has to be recognised that India at present faces a severe resource constraint, both in the field of foreign currency resources and in the field of local currency resources. The constraints have been such as to put a severe limit on our own investment and development effort. However, it appears that to an extent the constraint of foreign capital is likely to be relieved. This optimism is based on the fact that the oil-producing countries have vast surplus of foreign exchange resources with their governments unlike in the advanced countries where such resources have to be collected through taxation or market borrowing in order to provide aid to developing countries. What is lacking in the oil-producing countries, therefore, is not the resources but the philosophy of development aid.

In both these respects, oil-producing countries are taking steps to build up rapidly their institutional infrastructure. It is known that these countries have been gradually working out a philosophy of providing aid to developing countries. Moreover, they are also setting up institutional agencies in various, fields to process projects and determine the requirements of capital of the borrowing countries.

I would also like to mention that the burden on India of the increased oil price has to some extent been mitigated by rising international prices for its own exports. The terms of trade, therefore, have not moved against India as much as the mechnical increase in the price of oil might seem to indicate. India is able to get higher prices for its exports and this, to a partial extent, neutralises the higher cost of oil imports.

More important than this impact of price rise is the fact that such price rise has tended to make Indian manufactures much more competitive in the international markets. In the past the main charge against India was that it was setting up industries which were not competitive on an international basis. However, even in the past, because of development of local surplus and keen competition, India was able to export large quantities of manufactures—items such as steel pipes, wire ropes, textiles and so on. Our calculation of projects financed by ICICI shows that these projects exported in the year 1973 Rs 112 crores of manufactures to various destinations. This compares with the foreign currency loans of a few million dollars given to them by ICICI.

This is about the past. I am even more confident about the future, particularly in the light of the current p and manufacturing cost trends in I and internationally. During the two years ICICI has been making parisons of costs of production of jects in India with international pr to determine the international viabili these projects. These show that al all projects financed by ICICI now viable internationally, earning o average an economic return of 20.3 cent. The international price situa therefore, has changed so radically India cannot be accused today of se up white elephants.

However, if we are to take ad tage of this international viabilit our local manufactures, then we to realise that, as in the mid-sixties have to develop local surpluses for port purposes. At present, we are s ing some items such as cement for ex only by denying local needs, This is the best way to develop exports. much better if we increase our manu turing capacity in internationally vi industries rapidly so that we are ab generate surpluses, after satisfying l needs, which would help to increase exports.

Wanted : right plans and priorities

Vinod Parekh

EVERY PHASE of a period has its own problems and projections and they look very difficult at times. But I frankly believe that more than the international monetary crisis which started three or four years ago, flouting rates of exchange, pollution problems and its effect on the supply and cost of a number of critical items and laterally aggravated by the high prices of crude oil, all make the situation complex as well as challenging. As if meeting the high cost of crude oil imports in India was not enough, we also had the additional burden this year of importing foodgrains and fertilizers on a large scale. This has no doubt caused a great strain on our balance of payments position. But I am glad to say that we have stood the test fairly well.

Our exports which were under Rs 2,000 crores only two years ago, will hopefully reach Rs 3000 crores this year showing a 50 per cent rise in just about two years. I think there is a great need in this country to boost exports and there is a plan and a programme for it and it is, in my view, quite capable of achievement, and, that is, to double our exports in the next four or five years. In fact, where do we look for these opportunities and how do we go about doubling our trade? Mention has been made elsewhere that these gains that India has made recently, have been more in the nature of the commodity boom and the inflationary pressures which the world has experienced. Well, I see nothing wrong in claiming higher prices for our goods if we have to pay higher prices for our imports. That apart, it is true that our exports have consisted of primary objects, Here again, I see nothing wrong in exporting primary con dities. After all, a dollar earned is a d earned whether we export sugar or export sugar machinary and quite fra may be that our chances of being abl increase our export of sugar are b than exporting sugar mcahinery.

I am, by no means trying to un play the role of engineering goods chemicals or the middle level tec logy. In a country such as India with size of resources that we possess, ou ports by their very nature, have to diversified and if we decide to do our exports, we naturally have advance on all fronts. At the s time I do not think that we wish to pise exports of agricultural commod or natural resources. Iron ore is such case. Really if we are going chieve the best results, we have got to nd out where we are at an advantage ith the rest of the world and how can e exploit these advantages to our best enefit. What is required really is oderanisation of the exports of these atural commodities. For example, in he case of sugar we find that the standard of packing, as well as refining could e substantially improved and this would utomatically give us a premium. We re unfortunately subject to sellers' market conditions in our internal trading and this somehow also reflects in our dealings in export. But if we apply some kind of modern thinking, than there are prospects of improving and adding value to the exports of our natural goods.

value added prices

I think that exports of these goods for value added alone could give us another 3 to 4 crores of rupees easily in the next 2 or 3 years time. There are other by-products such as alcohol. A lot of mollasses goes waste. However we are at the moment concluding a deal. There are many other by-products, which we could take advantage of. We have to use our own raw materials and process them and thereby again getting value added prices.

Leather altogether gives about Rs 150 crores mainly in the form of what we call semi-processed leather but it is really raw hides and skins and this could be turned into leather shoes, bags and so on and so forth, for which to my mind there are bright prospects. If we go about the right way, these exports of leather could rise by Rs 300-400 crores in the next three to four years.

There is already evidence of a growing volume of exports in finished leather, leather products and meat, particularly to the middle-east. There may be some susceptibilities to the thought of beef. But I see no reason why we cannot export mutton for which there is a very good market in the neighbouring countries. What is, therefore, required is to realise that there are a whole lot of possibilities and prospects. We have got to help the small and medium producers and encourage the spirit of entrepreneurs.

In the case of leather, not many inputs are required. It is a technology that we already possess. It is a question of putting a few units together and getting on with the job.

In India we have a large number of trained engineers, architects, etc. Construction programmes are going on both in west-Asia and south-east Asia. This again could easily give us an exchange earning of Rs 200-300 crores. We could also think of setting up joint ventures. Some Indian companies have already set up textile mills and various other units in Africa and Asia.

There has been some talk of recession and we have not yet found any effect of this in terms of orders coming from the advanced countries. In my view, there is a very good market for consumer and departmental goods for which we could response to international tenders in western Europe and America. We have large markets waiting to be tapped amongest neibours. In the oil-producing countries a number of projects are under way. In fact, we have dealt with selling sugar, cement and iron ore etc. in the OPEC. We have the shipping companies, aluminium projects and the like. All kinds of proposals are coming forward from our neighbours in the middle east which have bright good prospects. Then we have the trade with the socialist bloc and the Soviet Union, which has grown enormously. This has a capacity to grow by another Rs 300 to 400 crores in the next year.

Apart from these markets, there is the question of relative stability that we have because of the bilateral nature of the dealings which are free from the vagaries of the other free foreign exchange areas.

I think the exports can be doubled in six years' time, and is within the realm of possibility. We have to achieve this by providing the right kind of infrastructure. There is the shortage of power and transport problems in the movement of iron ore, sugar, etc. What is perhaps not being sufficiently realised is the lack of port facilities. Our

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ports have not changed much in the last 20 years and if we are going to double the volume of our trade, we will obviously require immediately more ports with berthing, loading and unloading facilities. With the facilities available now, we can load at the rate of 1,000 tonnes. We should have facilities where we could really be able to load 10,000 tonnes per day. I think our friends in Iran and Iraq also have same problem of port facilities.

The trade is suddenly going up very fast and the facilities are not adequate in order to meet the requirements of the growing volume of trade. But given the right kind of plans and priorities and the right kind of quick dicisions-making. I have no doubt that there are good prospects for increasing our exports. We will again see a further 25 per cent increase immediately in the next year partly by value addition and partly by inputs of new commodities. We are on the right track and given right plans and priorities, this target is within the realm of achievement.

The price of iron ore

S. Ramachandaran

THE MINERAL industry has created a lot of sensitivity in the minds of developing countries mainly because of the fact that nowhere else do you find such a colonial pattern of trading as in the case of mineral resources. I was told by His Excellency the minister from Iran, who said: "we do not want to own India or even a piece of land in India." On the other hand, in mineral industry, we find that the developed countries have gone into the developing countries, as the developing countries were not able to afford the massive resources required for investment in mining, in extraction of metals, and the developed countries were able to make them captive sources of supply and give an artificial pricing pattern and and depress the prices over the last 50 or 60 years. This was an imperative necessity which we had to face.

brief outline

Let me give you a brief outline of the iron ore Industry both in India and the world. The production of steel in 1973, if I am not mistaken, was 696 million tonnes, and the prospect for steel proproduction, inspite of the transient recession which we are facing today, is estimated by many international authorities including the IISI will be 1100 million tonnes by 1985. The two major producers of steel the USA and the USSR have a large supply of iron ore coming from within their own countries, and therefore, the overseas trade in iron ore is likely to develop from about 350 million tonnes at present to about 700 million tonnes in another ten years.

So far as India is concerned, iron ore is one of the commodities in which we have the benefit of long-term perspective planning. Today our plans for export are ready up to 1985; this is not the case in any other commodity. It is very likely that iron ore might become the number one foreign exchange earner by 1980, unless we develop two million tonnes of sugar for export. I am sure that iron ore will still be number one exchange earner and with sugar it would compete by 1985. Therefore, it is quite necessary that we should have a perspective plan for our exports. But this plan has changed from time to time. According to our original fifth five-year Plan targets, we wanted to have 56 million tonnes of iron ore export. It was pruned down to 42 million tonnes and may undergo further changes. The main reason for pruning down the targets for iron ore export is not the lack of iron ore.

There is a popular fallacy in India that this is a wasting resource which we cannot afford to export. We must have a perspective plan in this matter for 100 or 200 years. We cannot really have the same thought or the same impression about iron ore as we have got for oil and coal. These resources are estimated to last for 30-40 years. There are prophets of doom every where who say that there will be no energy resources after 30 years, and by 2000 AD they world would have depleted all the coal reserves. But, I am sure that new resources will be found from time to time and even oil resources may last for another hundred years.

So for as iron ore is concerned, the proven resources and the inferred resources in India which aggregate to 10,000 million tonnes should last for 200 to 300 years even at the present rate of depletion. There is no need to worry that by exporting more and more iron ore we will be dissipating the natural resources which will become necessary for the country's development later on. If we have a long-term perspective, as I have narrated above the export of 56 million tonnes by the end of the fifth Plan was not an unimaginative target. But we had to prune down because of non-availability of internal resources for developing the mines and the necessary infrastructure.

huge investment

We know that a million tonnes of iron ore export will mean an investment of Rs 40 to 50 crores in production infrastructure, transportation development, port development and also if we rationally proceed, in the development of shipping. Therefore, if we want to have 56 million tonnes of iron ore export as against the present level of about 25 million tonnes we can imagine the requirement of additional internal resources. Iron ore is one of the commodities in which we do not require large amount of foreign exchange component at all because very little machinery is required and with a will we can manufacture that in India. What is needed is rupee investment and the returns which we should get from this.

Unfortunately, in our country, iron ore development has not been integrated to that extent, as in Australia or Brazil where we could have returns which are commensurate with the investment. For example, in India the railway freight is not related to what it would cost us to operate the railway line. We have a railway line from Bailadilla mines to Vizag. If this is operated by the Minerals and Metals Trading Corporation (MMTC), the cost would be much less as compared to the freight being charged now: we will certainly operate it much cheaper. This is happening in Australia and Brazil. That is why they find that the export of minerals is more profitable than that of other things.

In 1952 the iron ore export was at a loss and the government was subsidising it. It is only when in 1972 the prices increased, it wss possible to reach the stage of break-even point and in 1974 we started making a marginal profit. The cost components in iron ore export are artificial. We are substantially losing by paying freight for iron ore to the port—to Paradip, Vizag or Goa or from Bellary-Hospet to Madras. All this is very uneconomic. The port charges are the highest in our country. In Australia it is 25 cents per ton; here in India it is more than two dollars in some cases. All the cost components are unreal and are not economic at all. Inspite of it, we have reached the break-even point, because of the fact that labour is cheap. The production cost is much lower than in the highly-mechanised mines of Australia and Brazil.

bright prospects

The outlook for iron ore is that there will be increase in overseas trade by about 350 million tonnes between now and 1985. We have to see whether we are going to have our due share of this as we are only proposing to develop our export from 25 million tonnes in 1974 to perhaps 35 million tonnes by the end of the current Plan period. I do not think that our targets are ambitious and unrealisable. In this matter, I would like to say that we are faltering in our policy in upgrading this product and beneficiating it. Everywhere the steel plants are anxious to choose the products they buy. They are no longer content with buying just the iron ore; they want higher grade iron ore, having some special characteristics.

More and more steel plants are going in for pellets as the main feedstock for production of steel. We know that when we pelletise, we have already fuel input in iron ore and the fuel consumption later is reduced thereby. Most of the steel plants are going in for 20-30 per cent of pellet feed. There is no need for us to hesitate about going in for more and more pellets. We should be exporting only about five million tonnes of pellets at best out of the 35 million tonnes targetted for 1978-79 of normal iron ore. We know that the economics of upgrading even to the pellet stage is 100 per cent more of the added value. In the case of many other minerals, a small amount of beneficiation will result in very great added value. These are concepts which we should work upon. There were many doubts in the mind of the government of India about the possibility of making pellets and of getting returns commensurate with foreign exchange inputs required for producing pellets. Therefore, there has been a little slowing down in the pelletization programmes which was initiated as early as 1965 in this country.

I will now discuss the modality of cooperation which has developed between India and Iran in the iron ore industry. When Dr. Ansari was here to discuss the possibilities of investments in India, he came with a staggering amount of money in his packet. I was sent for by the then Foreign minister, Mr Swaran Singh and was asked to state whether there was anything possible on the iron ore side. I told him about the two projects which we had just shelved because of lack of money. One of them was the Kudremukh project. I was pleasantly shocked at the reaction of Mr Ansari. He asked: "How much money do you want"? I had old estimate of 300 million dollars. He said: "Here is the money. Please sign the contract". It was as simple as that. There was no doubt in his mind about the possibility of developing the project. We were not questioned about the debt-equity ratio of the loan, and when the project cost went up, there was no hesitation in increasing the money. In the negotiations which have grown subsequently, I must say that we have seen an example of bilateral relationship which is most heart-warming.

new lead

I know that there is a background for this in the original UNCTAD resolutions and setting up of such industries in the developing countries is annexure to UNCTAD document which says that the developed countries can give as a loan some money for industry in the developing countries and take back payments in the form of production of that industry and this is exactly what Iran has done in the case Kudremukh. I think they have given a lead to many other countries. We are just now considering a similar proposal from another oil-producing country and there are many other countries and I see a hope that many of the projects which we have shelved, will be revived because both for financing rupee expenditure and foreign exchange expenditure the funds will be forthcoming. I will not be surprised if by the end of the current Plan period, we attain production of 56 million tonnes of ore and about 10 or 12 million tonnes of pellets.

I would also like to mention briefly about the price of iron ore. We know, all over the word, producers of natural resources are in a ferment. We have seen the result in the oil countries when the prices were depressed. They felt they were deprived of the money that was naturally due to them and the reaction has been very extreme. Of course, OPEC justified the price level and I wish we could also justify similar price level in iron ore that in case we would be certainly happier.

special action

In any case, all countries have been trying to take some kind of special action to see that the prices of natural resources are improved. When multinational corporations invested in mineral resources they got a hold on the economy, they were only content with their own profits.

In late 1972 when the ex prime minister of Australia visited India, I had a meeting with him. He said, it did not matter so long as they made a couple of dollars profit. I said: "You get only 50 cents or 25 cents of royalty which you are levying while this kind of discovery has resulted in extreme action as in the case of the government which put a very heavy royalty of 25 per cent on the FOB value of potash. This is now so heavy a royalty that people are unable to export potash".

So the state interferes when their mineral resources are taken away by multi-nationational corporations who make 2 or 3 dollars profits. And when they make this profit, it is not in the country in which they produce the natural resources. The profit is made in another country. The trading corporation in the USA or elsewhere and not the producing company in which they have invested in Australia. Therefore, it becomes necessary for all developing countries to get together and to form some association which would regulate and control the production and the pricing policy and generally get information about markets and prospects of exports.

Dr Lall gave a very good lead when he was here in UNCTAD II. He called together all the developing countries what was originally a club of developing countries. We decide in 1972 that three major producers in the world being in the developed world, they should also be called in and that is why Australia Canada and Sweden have been enlisted. Australia in particular has a definite philosophy of supporting developing countries in improving their foreign exchange position through the export of raw materials. Australia itself is very much dependent—nearly 70 per cent of its export income is from mineral exports and from the export of raw materials. It is committed to a philosophy of supporting developing countries. We have its whole-hearted support in our demand to form a club and in the last January meeting in Delhi, we completed the labours which may result in the setting up of an organisation. I have mentioned this not so much as to say that iron ore prices will go up. This pric would have gone up by itself in any cas One of the greatest mineral economist i the world in his book said that by th end of this decade. there will be a sever shortage of raw materials and for minerals and it will no longer be economic fo people to produce. Steel producers hav certainly responded to the great stres which is being placed on many countrie and I am glad to say that I have mysel given an undertaking to the Plannin Commission personnally that the pric of iron ore will be at least 100 per cent higher by the end of this decade.

Towards a new economic order

Prof. D. P. Chattopadhyaya

WE ARE in the midst of crisis when the world economy is confronted with the most formidable and challenging circumstances since the end of the World War II. Galloping inflation, acute imbalances in the international payment system and near-stagnation in the real output of many major countries have combined to create a situation of danger and uncertainty for developed and developing countries alike. The repercussions, however, for developing countries have been obviously more severe because of their greater vulnerability to external economic impluses.

We have now reached the middle of the second Development Decade and we cannot help feeling that the progress made in the implementation of the substantive provisions of the International Development Strategy adopted in 1970 has been disappointing. In spite of the significant efforts made by the developing countries, their average rate of economic growth, as reflected in the growth rate of their real product, showed a distinct decline in the levels reached toward the end of the last decade. Whereas for the developed countries, the total national product increased at an average rate of 4.9 per cent during the first Development Decade, and by 5.2 per cent from 1970 to 1973, it declined for developing countries, outside the category of oil-exporting countries from a level of 4.6 per cent to 3.8 per cent in the corresponding periods. The inequality among nations has, therefore, become sharper and even the modest beginnings stipulated in the strategy towards narrowing the gap in living standards between the developed and the developing countries, are not yet in sight.

comprehensive programme

The strategy for the second Developing Decade was the first ever comprehensive programme to be adopted by the United Nations covering all sectors of activity for concerted and convergent action by countries at different levels of economic development and different economic and social systems. In adopting the strategy, the developed countries had undertaken a major commitment to contribute to the attainment of higher economic growth for the less affluent countries of the world.

For the first time, agreement could be reached on certain vital measures which would have significance in the dynamic context of restructuring of the world economic and commercial order. These relate particularly to the commitments undertaken by the developed countries in the field of science and technology, on the question of production policies in both developed and developing countries being carried out in a global context and are designed to achieve optimum utilisation of world resources benefiting both developed and developing countries. The document was exepected to impart coherence and rationality to the efforts of the international community to fashion a new world economic and social order.

No doubt. the basic postulates underlying the strategy have undergone considerable changes. We have, however, yet to notice any purposive action on the part of the developed countries in area such as the elimination of tariff and non-tariff barriers to imports from developing countries. The new Multilaterial GATT Negotiations have taken long to got started and the results are yet uncertain. In the meantime, certain important countries have adopted legislations which raise serious policy issues and may erode the benefits which could flow from a possible liberalisation of the world trading structure. International actions in respect of pricing policy and commodity arrangements on measures to improve conditions of access for products of the developing countries have been feeble. As a consequence, the share of the developing contries in world trade has continued to deteriorate. In fact, while the share of developed countries has gone up from 68.1 per cent in 1960 to 72.5 per cent in 1973; that of the developing countries including the oil-exporting countries countries, has declined from 21.6 per cent to 18.1 per cent. In countries not in the category of oil exporters, the share of world trade has declined from 14.8 per cent to 10.7 per cent.

Apart from this objective of a more equitable distribution of the internatio-al trade flows among developed and eveloping countries, the development trategy has assigned an important role o the total flow of financial resources o developing countries and assigned a ixed percentage to official developmental ssistance as a proportion of total finanial flows. Against a target of one per ent net transfer of GNP from developed ountries, the financial flow has declined rom 0.84 per cent of the GNP of the eveloped countries to 0.73 per cent in 973, and what is of even greater concern s a sharp decline in the official compoent of developmental assistance from .5 per cent in 1960-61 to only 0.30 per cent 1973, which is far below the stipulated rget of 0.70 per cent assigned in the evelopment strategy document.

The strategy was conceived in the pirit of cooperation by the international ommunity to refashion the world economic system along more rational lines. ince its adoption, there have been r-reaching developments which, no oubt, require a re-assessment of many portant principles elaborated in the rategy.

The persistent inflationary pressures the principal developed countries, the monetary stability, the growing concern for the preservation of the human environment, the need to regulate the activities of the multi-national corporations and the far-reaching impact of the oil crisis, require a re-assessment of many of the principles adopted in 1970. Particular attention needs to be given for securing structural adjustments in the economies of both developed and developing countries for re-fashioning the flow of world trade in consonance with changing comparative factor advantages. It will not be possible to secure a rational international division of labour without the adoption of anticipatory adjustment assistance measures, so that the future evolution of world trade recognizes the need for maximising the gains from trade for the world economy as a whole, and in particular the economies of the developing countries.

The international community has shown its consciousness to many of these problems. It is in this spirit that the sixth special session of the United Nations on Raw Materials and Development of Developing Countries drew up a specific programme of action for dealing with these complex problems. A number of provisions of the programme of action relating to development of trade, transfer of technology, have re-formulated the development decade strategy, in the light of the changes in the international situation, which have taken place since then. It would be our expectation that the review of procedures and programmes being currently devised by the international community in connection with the strategy would devote itself to a practical assessment on the extent to which both the strategy and the programme of action of the special session has been implemented and the further steps which need to be taken in this regard.

This is not an easy exercise and would require the necessary political will on the part of the developed and developing countries for adopting measures which, though in the short run would create transitional difficulties, in the long run would contribute towards the establishmentof the new and desired economic order. It is only thorough cooperation based on understanding, through concession and compromise, that we can hope to achieve a just and fair use of world resources and can put the accumulated skill and experience of the community of nations to the service of mankind.

Development banks and credit from OPEC

C. D. Khanna

HERE ARE three development banks in dia: the IFCI, established in 1948; the ICI, established in 1956; and the IDBI, subsidiary of the Reserve Bank establied in 1964. Between the three developent banks in the country we are financng, on a consortium basis, most of e large-and medium-sized projects in e country.

Looking to the record of the IFCI, r example, during the last 26 years, we ve given total assistance of the order about Rs 500 crores, equivalent to 2 million US dollars covering about 690 rge-and medium-sized projects distrited over traditional and non-traditional dustries: for example, we have financed 7 sugar projects, of which 94 are in e cooperative sector; in the field of emicals, 13 fertiliser projects, 29 basic chemicals projects, 24 synthetic fibres and resin and 19 other chemical projects, totalling 85; 108 cotton textile projects, 14 jute projects, 51 iron and steel projects, 12 non-ferrous metal projects, 33 paper projects, 52 machine projects, 25 cement projects, 17 rubber projects, 33 transport equipment projects, 37 electrical machinary and appliances projects and 61 other projects. The estimated cost of the projects is Rs 2,600 crores, equivalent to US dollar 3.4 billion. These projects have been financed on a consortium bases by the all-India institutions, including the LIC and the UTI, in certain cases and and also by the state level institutions.

The ICICI is the main source of foreign currency loan in this country as it is getting World Bank credit; in the case of the IFCI, there is a limitation we are getting credit from West Germany; we have got 13 currency loans from West Germany, two loans from USAID, equipment credit from BFCE, and four allocations under the UK/India Capital Investment Loan amounting to $4.50 million. The IFCI has given 252 sub-loans of an aggregate value of Rs 55 crores to meet the foreign exchange requirements of the industries in India.

In the case of the IFCI, the contribution to the cooperative sector is very significant. About 34 per cent of outside rupee loan assistance has gone to cooperatives, mostly sugar and textile industries. As I mentioned earlier, we have 94 sugar cooperatives, 27 textile spinning coopratives, one fertilizer cooperative, one Jute cooperative and one vegetable oil cooperative.

As I understand specific proposals should be mooted as to how there could be better cooperation between the oil-producing countries and developing countries such as India. It strikes me that there could be two possibilities. The credit from the development banks in the oil-producing countries could be on the same lines as the credit we are getting from West Germany. The lines of credit could also be given either to the government of India or direct to the developmental agencies such as the ICICI, the IDBI or the IFC for specific industral projects, for example, sugar, cement or alumina and the product could be earmarked for export to the oil producing countries. I would like to make this positive suggestion.

Search for a global strategy

C. Subramaniam

First of all we have to realise where we are and why we have arrived at a particular situation. If you look into the sixties, particularly the early part of the sixties. great concern was expressed with regard to the food situation in the world as a whole, and it was tought that, by 1975, there would be serious scarcity conditions, particularly in many of the developing and thickly-populated countries and that some of these countries would face not only scarcity conditions but famine conditions leading to millions of starvation deaths. Then suddenly the situation took a turn, particularly because of the new technology which was available and which was adopted in many of the developing countries. Therefore, there was almost an euphoria that we had got over the food crisis. But in the seventies, again, we have gone back to square number one and there is a good deal of anxiety regarding the food situation and we are trying to take various global measures for the purpose of meeting the situation.

international attempt

The last international attempt was the Rome Conference about which people had great expectations. But, unfortunately, as it happens with all international conferences, they made some pious statements; some pious resolutions were passed; but, I have not been able to see positiveline of action to meet the situation. Then we had the warning by eminent scientists and sociologists with regard to our environmental erosion, I am sure all of us know about it: if we go in the same direction as we have been going for the last 10 or 15 years, particularly after World War II, by the end of this century or the beginning of the next century, we would be reaching a situation where these resources would have been completely eroded and the resources position would begin to deteriorate fast, and not only the energy crisis will be there but all sorts of environmental degradation would come about. There fore, this is a warning to the world that the direction in which we were moving, particularly the direction of measuring progress by the consumption pattern, by having more and more consumption, would mean more and more progress, but if this approach continues, the human community as a whole would come to a halt: there is the other side of the picture also apart from the resources being exhausted, namely, the whole environment being completely degraded to such an extent that human existence itself would become difficult. This warning is on the basis of more and more development.

application of technology

Today the situation which we have reached is the result of the development of science and technology, the application of science and technology for various developmental purposes. Apart from the other aspect of science and technology being used for destructive purposes by the development of atomic and various other weapons, even if the process of the application of science and technology for developmental purposes goes beyond a certain level, it begins to interfere with nature, thus spoiling the environment altogether.

The very process of development and application of science and technology beyond a certain level was leading us to a position where the natural environment was getting completely affected. As a matter of fact, we had the Stockholm Conference to deal with this aspect. There also, we had forthright statements from the statesmen of the world and as usual we ended with many pious resolutions and I do not see any positive action that had been taken on the basis of those,

hallmark of progress

Not only the Gross National Product (GNP) and the consumption pattern but also the defence capability, not only to defend oneself but to destroy others, is taken today as a hallmark of progress. Therefore, more and more development of armaments and use of the resources for these developments have been taking place even before World War II; but after World War II, the development of nuclear weapons has been going on in a much faster way, utilising the resources for this negative purpose, not for the promotion of human happiness but for altogether negative purposes. There have been warnings from the various scientists, sociologists, philosophers, thinkers, statesmen, etc, if the world goes on in the same way of developing more and more armaments, we could reach an explosive situation, even unwittingly and perhaps, the whole humanity would be annohilated.

We have had a series of conferences, disarmament conferences, discussions in UNO and so on. But still this race has not ended. On the other hand, it has accelerated more and more, and the resources are being consumed for the negative purpose of developing nuclear weapons. We do not see any positive line of action for the purpose of solving this problem. It is in the midst of these things that the monetary crisis has come about. Therefore, in my view, this is not an isolated phenomenon which has come about. It has been developing since World War II. The monetary crisis has not come about in isolation; in my view, it has come about mainly because of these various forces which have been functioning in the world community as a whole. I am sure we would have analysed this monetary crisis in all its aspects because I have found that this has been emphasized to a great extent. It is not the oil crisis which has been the beginning of this monetary crisis. It began much earlier. Not even the delinking of gold and dollar which took place in 1971 was the beginning of the crisis. As a matter of fact, already the crisis had reached a particular situation which forced the USA to delink gold and dollar. In India we began to feel the pinch, when prices of various commodities and raw materials which we are importing into our country for various purposes increased, even before the oil crisis, and then, on top of it. the oil crisis came which has brought about a qualitatively different situation. It is from this point of view that we have to look at this problem.

individual approaches

So if you look at the solutions which we try to find out in the international conferences, we see there are individual approaches, group approaches and everybody trying to get back to the original position before the crisis so that they may go in the same old path that they were pursuing. In my view, if we take just merely the monetary crisis and inflation which has come into the economies of the various countries, if we merely take into the oil crises or the energy crisis, we may not be able to find a proper solution. We have to find an answer as to in which direction the humanity has got to move and whether we go back to the same position where progress was measured in terms of GNP and more and more consumption. Or do we want to take a different view from that?

This path of more and more GNP and more and more consumption is bound to lead to a situation where the quality of life gets deteriorated in this process, Therefore,. if the quality of life has to be maintained, and which has to be measured on the basis of promotion of human happiness and human fullfilment then different approaches will have to be made and different aspects of this more and more GNP and more and more consumption will have to be analysed and, perhaps, a new charter of human development will have to be brought into existence,

At the same time, a question will have to be posed. Shall we have this divided world, divided into developed countries and the developing countries? Now it is not only the third world, a fourth world has come into existence. Therefore, shall we, as within one society have the elites and the poverty-stricken masses of the people and as this itself cannot be tolerated in the world community a system where a few countries would go on improving their consumption with whatever ultimate result it might be. and at the same time there is degradation and poverty in large masses of the people in the other parts of the world? Fortunately, it has been declared everywhere in many international conferences including the United Nations that this contradiction which exists in the world community today, of poverty in a major part of the world and affluence in a few parts of the world, cannot be stable and, therefore, the developing countries will have to be assisted for the purposes of coming up. Why is this assistance necessary? We will have to analyse and find out.

need for survey

Take the case of India. It is not as if India as a country is poor. If we look into various resources, natural resources available and known—most of it still is unknown because we have not made a comprehensive survey of our natural resources as a matter of fact we have been planning even without knowing what we have—I can say India is not poor. In every country fortunately, the nature (or God) has endowed each region with its own natural resources and it is a question of exploiting those natural resousces for the benefit of community located in that area to meet the requirements of human existence and as far as our country is concerned, at least meeting the minimum needs for a minimum standard of living in our country. It is a question of knowing the resources we have. It may be soil; it may be water; it may be minerals; it may be forests which exist in our country. But knowing these resources and having the capacity to exploit these resources for the benefit of humanity without degradation to human environments, without affecting the natural conditions in a big way, is the main issue.

First of all, even for knowing what we have, we require certain scientific and technological competence which if we have to develop on our own, would take a long time and also develop all the equipments which are necessary for that purpose. But fortunately, even various other developments have taken place for that purpose, for example the development of satellites. This has given us the capacity to use those satellites for the purpose of surveying the natural resources in a big way and in a much easier and faster way.

Even for the purpose of knowing the resources we have to have a comprehensive resource survey. We have to utilise the most sophisticated technology available today; otherwise it would take at least a few generations if we adopt the old traditional methods of survey to know what we have. Those who have this capacity, will have to render the assistance to those who do not have, even in the first instance of trying to find out how to make a realistic comprehensive survey of our natural resources. Assistance has to come from those who have already developed and who have the technological competence and the technological ability to do so. This becomes necessary.

Merely knowing the resources is not adequate. Exploitation of these resources in a meaningful way is also essential so that these resources are made use of for raising enough food for feeding the millions of our people, and providing shelter, and some sort of health system and more education to our people. So even if we take the basic minimum needs of the community, it can come about only by exploitation of the resources to an optimum extent.

food crisis

Take the case of food. I have had the privilege or misfortune of having been the Food and Agriculture minister at the most crucial period in India, during 1964-67. At thut time we were faced with such a crisis that we had to import from abroad at the rate of one million tonnes per month, not per year but per month. Even our capacity to get them into the ports and unloading them and then taking them to the points of consumption was disputed and doubted at that time, but still we achieved the goal, of importing one million tonnes foodgains and then taking it to various points of consumption. But certainly the food problem of India cannot be solved on the basis of importing the foodgrains on a large scale.

Unfortunately our country, in respect

of population, is a fast growing country. Today we are reaching nearly the 600 million-mark. And if it goes on in the same way, very soon we will reach the 1,000 million-mark of population i. e, a billion of human beings. The capacity to feed the millions of our people could be achieved only by utilising the available resources.

basis of development

Even a preliminary survey shows with regard to the soil and water availability which is the basis of agricultural development, that we are quite competent and that it should be possible for us to grow enough food to meet the requirements of our people, apart from the cereals, edible oils, the fibres required for our textile industry and various other commodities such as plantations etc. All this can be achieved provided we have a full knowledge of the soil and water resources and we understand the soil in all its implications and we are also in a position to utilise the surplus water, and underground water in a planned way. Then only it is possible with the application of new technology, avilable in the agricultural sector to achieve production levels, not only of 120 million tonnes but 150 million tonnes and 200 million tonnes. When this new technology is to be used, it is not merely the understanding of the soil conditions, it is not merely a survey of our underground water resources, a survey of surface water resources but a linkage together of soil and water and the new technology, the new inputs for growing enough food to meet the requirements of the millions of our people.

Take the seed itself. Whereas in the traditional manner, every farmer was used to grow his own seed and if he did not grow, he would borrow it from the neighbour. Now it is no longer possible to have this traditional approach with regard to seeds. New varieties of seeds will have to be evolved by more and more agricultural research and quality seeds will have to be produced on the basis of application of science and technology. They will have to be properly processed, stored and distributed. This itself becomes an industry and this material input will have to be made available to every farmer If we have to have increased production in each farm.

It is not merely the seed, the soil and the water. We also require fertilizers at a very high level. Whereas in the traditional agriculture we were using about perhaps one or 2 Kgs of nitrogen per hectare, this new technology requires nitrogen apart from the NPK combination, at the level of 60 Kgs per hectare and sometimes even 100 or 120 Kgs per hectare, to achieve optimum results. Therefore, fertilizer becomes important. Fertilizer will have to be produced within the country or will have to be imported.

We were going in for large-scale investments in the new fertilizer plants. At that time there was a hue and cry whether this investment was necessary. We were told by some of the world economists and by the world statesmen that there was already enough capacity available in the world for production of fertilizers and this would become infructuous investment if every country went on investing in fertilizer production. The raw materials, we were told, were available easily and at cheap rates because at that time the oil was the cheapest source of raw material for fertilizers and was available in abundance.

marginal investment

Therefore, it is enough if we have marginal investments in fertilizers and it would be possible for a country like India to import at a very cheap rate whatever fertilizers are required, at the cost-benefit ratio. It would be better to import it from the existing sources of investment rather than going in for new investments. We could as well use those investments for other purposes where there are world gaps. As a matter of fact, our programme of investment in fertilizer was affected to that extent.

Suddenly the situation has changed. There is scarcity for fertilizer all over the world. Apart from the high level of price, we were not able to get it. Fertilizer has become one of the main inputs for agricultural production and that will have to be made available in large quantities. It requires technology investment for that purpose, management for the purpose of managing the system and for the of production and distribution. Then, plant protection becomes necessary; therefore, chemicals and other new agricultural implements. If all these things have to take place—I am talking at the moment only the food side of the situation for a country such as India—then, all these inputs will have to be made available. If we have the time, perhaps a century to adapt ourselves to these conditions, then we may be able to develop all these facilities ourselves and would be able to meet the situation. But, unfortunately, time is against us. Even now we are being warned that there is going to be a scarcity of foodgrains, a world scarcity of foodgrains, and the developing countries particularly would be faced with a serious situation. Therefore, even to meet the elementary needs of the people with regard to food requirements, unless we are in a position to develop these various material inputs we require for agricultural development today, we would not be able to produce more and then the necessity arises for the purpose of transfer of resources and technology, even for the purpose of meeting these elementary needs of the people.

In the same way, if we take into account the various other basic minimum needs, leave alone the elite consumption and affluent consumption which the other countries have reached, the countries do not have the capacity. They have to develop the capacity as they go along. But, as I said earlier we cannot wait for long. If we wait for long to have these developments, then perhaps we will be faced with human tragedy with regard to scarcity conditions or with regard to the spread of various epidemics if we do not take various sanitary measures. So, it is in these conditions we have to see whether the developed countries which have their resources already developed, are going to help the other needy countries or this is a cruel world. Therefore, everybody will have to go alone as best as he can without getting assistance from any other—whether it be within the country or outside the country.

concerted action

We have got to take decisions whether these provisions of helping of developing countries are going to be translated into action or because of these various crises developing countries would be completely forgotten and decisions taken on the basis of solving their own problems for the purpose of producing more and consuming more and becoming more and more affluent. In my view, we have to take a global view of things and then to take decisions on that basis—whether it is going to be the consideration of e monetary system or the considera-n of the energy crisis. All these will ve to be taken in this global context. ut, unfortunately, in the few inter-tional conferences which I have tended, I find only individual and roup approaches rather than global pproach being adopted for the purpose f solving the problems. If we take an ndividual or gronp approach, I am af-aid we will not be solving our pro-lems.

ew economic order

Perhaps, in trying to meet the crisis ve might bring about a more acute cri-is, particularly in the developing coun-ries. Take, for example, the monetary ystem today. What is the attempt vhich is being made? It has been agreed hat what was decided in Britain with egard to fixed parities linked with gold s no loger relevant and it is no longer he way in which the montary system of he world should be organised. There has been a consensus that the nonetary system should get away from gold being the basic of the world currencies. But still those who have the advantage of having the monetary gold in large measures today, want to utilise the situation for the purpose of meeting their own conditions rather than getting away from the monetary gold system. Again, dollar became the reserve currency even though there was gold standard. Now it is said that SDR should become a reserve currency and other currencies should be linked into it. But if we listen to the representatives from the USA or those who have got the advantages of dollar, they cannot reconcile themselves to any situation where the dollar would cease to occupy this crucial role in the world monetary system and, therefore, whatever system is discussed, they make this approach to bring dollar again as the focal point, as the basis for international monetary system.

Even though sterling has become one of the weak currencies, Britain would still say 'why should sterling get away from this central position'. They want to bring up again. I am mentioning these for the purpose of emphasising that there are no partial solutions to the problem with which we are faced. It has got to be a package and it has got to be on the basis of a global approach rather than individual or group approach. If we accept this, I am sure it will be possible to plan appropriately for the purpose of finding solutions for the various problems. Can we bring about an atmosphere in which the nations will be forced to think on these lines? This is the problem facing the world today and financial writers naturally have a big role to play in this.

The press has got a big role to play in educating organising, and directing public opinion and, therefore, the financial writers can bring about an atmosphere in the world today, to have this global approach. Even in our own country, when we think in terms of progress, we always look to reaching at least the minimum standards reached in the other developed countries. We look in the same direction and that is our concept of progress too. In my view, this has got to change and if the change has got to take place, world opinion will have to be educated and new attitudes will have to be developed with regard to human development and application of science and technology, monetary system which will serve the world community.

socialist model

Here we look across to the other parts of the world, the socialist world which has claimed — even though most of us may not fully agree with this — that the socialist bloc as such has not been affected by this crisis to the same extent, even though marginally they also have been affected because of the relationship with other parts of the world. But taking as a whole, their economies are more stable than the economies of the other countries in the rest of the world. Why? In my view, though some of us, object to certain aspect of central planning, we may not accept certain philosophies, social philosophies which are adopted by them, but there is an integrated approach to economic development and social planning within that system: and that is why, in my view, they have not been affected.

May be, there were grievances here and there, but on the whole the socialist countries have stood the crisis much better than other parts of the globe. While one may not go to that extreme rigidity of central planning, unless we have a global approach to our problems, perhaps we may solve one problem and the solution itself leading to two other or many other difficult problems in the rest of the system itself. This is the thought which I place before you for your consideration because while this global approach is made each component will have to be analysed. If each component is analysed, it is isolated from the rest of the problems. Then, perhaps, the decisions we take may not have a relevant meaning to find solutions to the whole problem. While each component is analysed, the total picture will have to be kept in mind. Are we in a position to assume that this approach will be made and what are the roadblocks in making this approach? This is what those who are in a position to influence world opinion, will have to consider.

monetary crisis

The monetary crisis, the inflationary aspect, the energy aspect, how to transfer the resources available in OPEC and where to divert them—all thes would fall in line once we have a global approach, a global strategy, taking into account the requirements of the various parts of the world which are the components of the world system today. Unfortunately for us, we in the developing world, form a major part of that community — 600 million. Even in terms of assistance, whether it is through the World Bank or the Monetary Fund or bilaterally, we look at the resources made available to India as one country as any other country and then they say India is taking away the major share in this assistance programme without taking into account that there are 600 million human beings whereas all the others represent only a small part of the developing world.

Perhaps people would like India to be ten different countries, different states or 20 different states. Perhaps, then the assistance would become easier because each unit would be considered as one for the purpose of assistance. Certainly, I am sure, the world would not like India to be disintegrated. Anyhow, we are not going to disintegrate for the purpose of getting more assistance. At the same time, those who are in a position to give more assistance will have to take into account the population in our country and also relate the assistance to the per capita requirement of each country. Then India perhaps may be in a better position—instead of being accused in some forums that we are taking away a major share of whatever assistance is being made available.

Tackling large projects

M. M. Wagle

THERE IS immense scope for increasing exports to OPEC, and also various limitations which should be taken into account. My views on these points is a little different because I feel that we are not concerned so much with the population of these countries but with what they intend to do with the very large resources they now have. It is clear that bearing in mind their anxiety not to depend solely on oil, they are anxious not only to improve the standard of living of their people but also to develop a wide and broad-based infrastructure of industry so that in due course they would be able to depend on other sources for their national economy.

When we get a little anxious to develop the infrastructure for industry, I feel we in India have particular advantages, because we have been through this process during the last few decades ourselves and we are still involved in it. These countries have requirements not only of the products that we manufacture, ranging, from diesel engines, pumpsets, generating sets, industrial gears, transformers, motors, fans, construction equipments, earth-moving equipments and a whole lot of other products, but they are also anxious to develop in their country particular industries which will make them, in due course of time, independent of imports.

no credibility gap

I feel that in the first area, which is the area of exporting products, we no longer really suffer from this credibility gap. We have been, over the last ten years, using the advantages of proximity of the old trade connections, and of the willingness of our engineers to go out to areas which were not considered very salubrious by the more affluent technicians in devloped countries.

We have in the last ten years endeavoured to market our products in OPEC and therefore, and have already, by now—I am talking of the industry, not particularly of my group of companies—overcome the credibilty gap in a large number of products. We no longer have to sell our products at discount; we are no longer in need of special concessions being shown to our products or give away 20-30 per cent of our price in order to make the introductory sales. Our problem now is not one of getting the customer to accept the quality of our goods but being able to produce and deliver in time.

export conciousness

We have certain advantages. We are perhaps more export conscious because out of the total products we make only a small proportion is exported. We have been able to, particularly in the last few years when prices have gone up very sharply in developed countries and their own order books have made deliveries long and uncertain, cash in on our willingness to pull things by out-of-turn production schedule to meet the urgent needs. By these methods we are now fairly well-established in the sale of these products. But our limitations are in getting raw materials in time, in getting shipping space and such problems which are primarily outside the immediate control of the engineering industry. We have also problems of administrative and of financial nature.

Despite the increasing accent on exports, there are very serious limitations of immediate availability of funds, even if it is supported by bilateral credit. There are limitations in getting clearances, in determining what sort of export incentives we would get, whether we could count on those incentives being equal to our raw materials cost at world prices and so on. But, with all these difficulties, the units with which I am connected and several others, of whose performance I am aware, have succeeded in developing a sizeable export market and during this year we hope to improve our performance at least five-fold. This would be quite a sizeable achievement. However, I feel that it cannot be increased ten-fold due to circumstances largely beyond the control of the industry.

The other area which is even more exciting is that of technical collaboration with oil-exporting countries in the establishment of industries which we ourselves have developed during the last two or three decades. The fact that we have ourselves gone through this experience within living memory make our technicians far more sensitive to the requirements of the host countries. Our company has been associated in two such large ventures and we have found very warm readiness on the part of the host country to support our technicians. Our technicians have also been far more willing than those from developed countries to settle down for a period of years under rather difficult conditions in remote areas, and when we get trainees from the host countries coming to our factories they also feel welcomed and find it easy in learning trades which our technicians themselves have gone through during the last few years.

tough competition

What really comes in the way of exploiting this potential (i.e. the tendering for projects, for turn-key projects or for establishing a new industry,) is that there is competition from developed countries on account of the tempting prices. The developed countries, in addition to their own experience in handling such ventures have the benefit of institutional support in two forms. First, there are institution such as the EXIM Bank which can assess the project, and which can decide that the people who are tendering are responsible and have the necessary equipment to meet their commitment; and if they are satisfied, then they are prepared to back them wholeheartedly. We lack such an institutional support in this country. It does take a great deal of time for us to find out whether the requisite support will be forthcoming and what the cost of such a support would be and what we should allow for the uncovered part which we have to take care of ourselves, which can be very substantial.

The second area is that of support from the government. Now we do know that our government is extremely anxious to support the endeavours of this nature and in each department there are executives who are very helpful and who would like to give us all the assistance possible. What we like is coordination of these disparate efforts in the different departments and this coordination is essential because there is a definite time-limit during which we have to make up our minds whether we could go in for large projects or they were beyond our capacity. The value of time still has not been appreciated to the extent it should be in our country. What we would like to have is one central authority and agency, a sort of super Trade Development Authority (TDA) which has the capability, and which has on its staff, technical and financial executives, who can first of all assess the competence of entrepreneur and if they are satisfied, should give an answer within a matter of days but not of weeks and of months—sometimes it takes years to decide whether or not we can go ahead in the knowledge that support would be forthcoming at least to the extent of our counting on getting our raw materials at world prices. I think if that minimal assurance is available, we no longer need substantial incentives in other forms.

assured supply

We are no longer selling our products at discount. In some cases we are even able to market our products at better prices abroad than we get inside the country. What we need is assurance in regard to the supply of raw materials and immunity from exposure to very sharp increases in the prices of raw materials which can throw our calculations totally out of gear. These are not very difficult items of support. They are available in countries such as Japan, which is often quoted as the country of model entrepreneurs and we are advised to emulate their example.

Now, there are models of such organisations. My plea would be that an effort be made to have a central authority which first of all will ensure that, when there are large projects of this nature, only those people who are really capable of doing the job will venture in. The last thing one would do is, go into the host country and not succeed in fulfilling the commitment, because that not only damages the reputation of that particular entrepreneur but also does serious damage to the reputation of India in this field. Fortunately, as I said earlier, from what I have seen of other units and my own experience of two such large projects that we took over, the host countries had no occasion to complain either of our competence or of our capability to deliver in time and to keep to our promise.

The scope here is really enormous. It is not limited by the population of the host country. Their needs are roads: power stations, water, and to use certain chemicals they already have and trucks, construction equipment, earth-moving plant and the whole lot. They have the money to pay for it and are friendly to us. We are near to them. We can be on the spot quickly. We can provide and we have provided better-after-sales service than reputed firms from developed countries. I see no reason why within the next two or three years we cannot expand in this field by at least ten times; simply because we are starting with a small base, what is involved is not a matter of a few millions or a few crores but hundreds of crores.

We need this support now, because every time we miss an opportunity, we are letting a developed country get in there and establish contacts and increase the tendency to rely on people they have come to know. We want to be the people they have come to know. We want to be the people who have done the first job well; there is no second job. The credibility gap does not come in, This is a very limited field. Yet I feel that in addition to very interesting potential indicated earlier in regard to metals, in regard to other products, this is a field in which hundreds of crores of rupees are involved, and bearing that in mind, we should be prepared to have consultations between industry and government so that in these two areas we are given the necessary support. We no longer have any excuse not to do our job, which, I feel, our country can do with confidence.

RECORDS AND STATISTICS

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WINDOW ON THE WORLD

In and around Pacific Asia—II

V. Balasubramanian

The first part of this series appeared in our issue of January 24.

THERE WAS only a couple of evenings to go for Christmas eve. Still the singer in the Hong Kong night club could complain, as indeed she did, that she had seen more people at a time in her hotel room than there were in the audience. She probably was exaggerating, but it was quite true that it was not only the cold wind of December that was blowing through that notoriously zestful colony. Living on exports all the time, Hong Kong is naturally sensitive to currents in international trade or the world economy. As 1974 was giving way to 1975, those currents were anything but warm or bracing.

From 1969 up to the end of 1973 this island economy was having it exceedingly good. In this period its imports went up by 94.7 per cent, its exports by 85.2 per cent and its re-exports by 143.5 per cent. Industrial wages improved in real terms by 17,5 per cent even as the number of employees in manufacturing industry rose by 19.4 per cent. Bank deposits grew more than double and bank loans more than three times. Government expenditure rose by 48.3 per cent but this was no inconvenience at all since the revenue nearly doubled. The stock market began booming stimulated very considerably by the dramatic increase in money supply. During 1972-73 even conservative bankers were saying that the economy had nowhere to go but up as real estate, hotel and tourist sectors along with manufacturing industry were taking a sharp upturn.

The optimists, however, were reckoning without their host. By the first half of 1974 the two-digit inflation developing in so much of the world had caught up properly with Hong Kong's frisky economy as well. With commodity prices rising steeply, the island, lacking natural resources, saw itself in a state of siege, while the quadrupling of oil prices smashed into the heart of its manufacturing sector. Wholly dependent on imported fuel, Hong Kong promptly had to sit down and take note of its changed fortunes. The four-year-old bull markets in stock and real estate values crashed, thanks to the worsening of liquidity and interest rates going up twice in the course of 1974.

Hong Kong's exports, however were bearing up rather well for the greater part of that year. In the 12 months ended July 1974 exports went up in value by 38.6 per cent as compared with the preceding 12 months. The textile industry accounts for more than 40 per cent of Hong Kong's total exports with garments making up 70 per cent of textile exports. During the first half of the year, textile firms were reporting substantial increases in their earnings, with both spinners and weavers doing exceedingly well, thanks partly to the large profits which were being made on stocks following the increases in prices for raw materials and products. The food industry, which ships about 50 per cent of its output to markets all over the world, claimed that it was holding its own although not as vigorously as in 1973, when the exports had increased by 20 per cent over 1972. Nevertheless, it was becoming increasingly evident in the later months of last year that hard times were on the way.

As a matter of fact, in the last quarter of 1974, the world-wide recession in textiles was hitting Hong Kong's export trade in these goods in two ways. In the first place, markets were contracting and secondly competition was increasing from neighbouring countries which, it was being complained, were dumping yarn and fabric at below-cost prices. This was no small threat since these rival exporters had doubled their production capacity over the last few years. Producers of low-quality garments in Hong Kong were particularly finding it difficult to compete with Taiwan and South Korea where labour costs were much lower. The squeeze on exports and profit had come at a time when wages had reached relatively high levels following a steady rise over the years. This naturally gave rise to problems of serious unemployment or underemployment, which were becoming increasingly acute in the closing months of 1974.

A government report published in September showed that more than 15,000 workers had lost their jobs in manufacturing industry even in the first quarter of 1974. Since then more and more factories had been curtaling their operations by anything between 20 and 50 per cent. The textile and plastic industries were the worst affected in this respect. The construction trade was also a large sufferer. In August it was decided to shut down 3,000 small factories for three months to cut down financial losses with the result that some 260,000 workers were thrown out of employment and made to fend for themselves by seeking alternative jobs which, however, were hard to come by.

Since food prices had been rising sharply from 1973 itself, the social distress caused by unemployment was all the greater. The government has tried to give some relief by stabilizing the prices of basic commodities such as rice, oil and fuel, but as against this Hong Kong's laissez-faire political system has no social security benefits to offer to its unemployed. There was as yet no sign that white collar workers were much affected but the lot of the middle class was not exactly unenviable. Prices of durable and miscellaneous goods were going up all the time. It was however some comfort that belated rent control legislation was at last affording some protection to tenants victimized by Hong Kong's notoriously rapacious rentiers and real estate speculators.

new markets

To the extent that Hong Kong's inflation is imported and cost push, there is not very much that its government could do about it, at least in the short period. By the same token, however, the declining trend in world commodity or raw material prices should provide some relief to Hong Kong's economy in the future, provided its industry and export promotion are able to function sufficiently vigorously and flexibly in world markets despite the recession in the industrially advanced economies. The chairman of the Trade Development Council, Sir Yuet-keung Kan, said, in a year-end message, that Hong Kong hoped to maintain the growth of export trade by stepping up its efforts to develop further some of its newer markets. According to him 48 per cent of Hong Kong's export growth in 1974 could be attributed to areas other than the major regions of north America or western Europe. He indicated that this should encourage Hong Kong to intensify its export efforts in the direction of the middle-east, eastern Europe, Australasia and African and Asian countries. The TCC in fact has a programme of organizing visits by Hong Kong business groups to the Arab world, Africa, south-east Asia and Latin America. Industrial investment promotion projects are also scheduled for Australia, Switzerland and Germany.

Hong Kong's exports to the Arab world advanced by 55 per cent to HK $ 444 million in 1973 and the growth rate last year has been of the order of 66 per cent. Similarly Hong Kong has been stepping up its trade with east European countries in its search for market diversification. The east European area imported goods of the value of HK $ 37 million in January-August last year. This was not a large amount, but it was nevertheless 71 per cent more, than the corresponding figure for January-August 1973. The colony businessmen see in this trend an indication of the potential in east European markets. A banking consortium, Hong Kong Fintracon Limited, has been making loans to a number of east European banks to finance purchases from Hong Kong. This consortium has been in business for some time now and has already extended credits to Poland and East Germany. Clothing accounts for the major part of Hong Kong's exports to east Europe. In the first seven months of 1974, exports to Poland went up by 11 times with textile yarn, thread and synthetic fabrics contributing 67 per cent of the value. Since it imports industrial raw materials and semi-manufactures from east European couutries in fairly large quantities, Hong Kong has a growing trade deficit with that region and is keen on bridging the gap.

delicate phase

Hong Kong's economic relations with Japan have entered a delicate and difficult phase, There is a feeling in the colony that Japanese business has lately been showing a slackening of interest in trade or investment opportunities on the island. This suspicion is likely to be strengthened by the latest developments relating to Hong Kong's project for a mass transit underground railway system. Until the end of 1974 the Hong Kong government seemed to be confident that the consortium of leading Japanese companies including Mitsui & Co. Ltd., Marubeni Corporation, C. Itoh & Co. Ltd., Nissho-Iwai Co. Ltd. and Sumitomo Shoji Kaisha Ltd. and headed by Mitsuibishi Corporation, would go through with the construction of the project for which it had successfully bid through its Hong Kong representatives, Jardine Matheson & Co. Ltd. It was however know even then that the Japanese consortium was seeking to re-negotiate the ceiling of HK $ 5 billion (over US $ one billion) on the cost of the project to which it had earlier agreed. The Japanese claimed that they had a problem because of inflation and confessed their inability to work under the ceiling. The Hong Kong government at any rate seemed to have believed that some understanding could be reached with the Japanese consortium without the cost of the project going up substantially. This hope finally failed to fructify. Pleading soaring material and construction costs, the Japanese consortium recently announced that it was pulling out of the deal. This decision has naturally caused much heart-burning in Hong Kong. Its government, however, has promptly declared its intention of going ahead with the subway although not on the originally planned ambitious scale since a project of that size would now cost double what the Japanese had agreed to as a ceiling in their bid for the contract.

The underground railway project was conceived at least partly as a symbol of Hong Kong's confidence in its economic and political future. In this sense it was as much a prestige scheme as a utilitarian one. Perhaps of greater immediate relevance to the economic problems or needs of the colony are the schemes that are being considered for upgrading Hong Kong's industry to a higher technological level where its exports could compete in world markets for middle-level goods in respect of which Hong Kong may not be at a disadvantage with regard to its competitors with relatively low labour costs. Apart from making land available for special industries at concessional prices on a restricted use basis, the government is planning to set up Hong Kong's first industrial estate.

In considering such schemes the authorities are encouraged by the fact that Hong Kong continues to have its attraction for prestigious foreign companies including multinational giants, as an attractive industrial location. For instance, Philips opened two factories in Hong Kong in the course of September last year. The first was a miniature light bulb factory with a projected yearly output of 25 million lamps. This plant was described as the most advanced and highly automated factory in Hong Kong. The second was a plant for the production of transistors, diodes and integrated circuits. Philips Hong Kong Limited is already a leading member of the colonys' robust electronics industry which is its second largest export earner.

keen expectation

Hong Kong, then, is not unduly depressed by its problems. On the contrary, there is keen expectation in financial circles that some of those millions footloose petro-dollars would find their way into Hong Kong's economy. Here the colony has the advantage that its banking system has grown rapidly in recent years thereby making it one of the world's leading financial centres. Observers have ascribed this progress to incentives such as low taxes, good communications, a strong currency, lack of controls, a sophisticated infrastructure, an industrious population and a stable political climate. There are no doubt quite a few who complain that Hong Kong has needlessly lost out to Singapore on the Asian dollar market and they are pleading that this is partly because of the 15 per cent withholding tax which the Hong Kong government insists on levying on interest earnings. Even they however seems to agree that Hong Kong's banking system is in as good a position as Singapore's to participate in the recycling of petro-dollars.

It is highly probable that Hong Kong will be able to stabilize its economy in the course of this year. Should the process however happen to be unduly prolonged, the colony's administration will necessarily be called upon to cope with increasing social stresses and tensions. This would partly be because mainland Chinese would not stop pouring in even if Hong Kong's economy were to operate at less than optimal level. Already community facilities and amenities such as schools, hospitals and housing are being over-stretched, rendering the poor of Hong Kong poorer than they need be—a situation rendered all the uglier by the ostentatious living of the very rich in the colony. Even in Japan the Imperial Hotel, which advertised a year-end offering of a gourmet dinner (and Marlene Dietrich) for 100,000 yen, found that it did not always have enough takers.

In Hong Kong, however, Christmas stores, car salesmen, yacht brokers and representatives of aeroplane manufacturers were having all the customers they could handle for their higher-priced goods. Among the deals reported during Christmas week was a Ferrari at HK $ 134,000, an A-class cruising yacht fetching HK $ 150,000, a sapphire and diamond necklace reported to be in the range of HK $ 1 million and lots and lots of imported dresses carrying price-tags of HK $ 3,000 or more and handbags with platinum and gold accessories retailing at HK $ 15,000 each. Whether the big spenders were spending big because of some doomsday syndrome or they were throwing their money about simply because they had money to throw and were hoping to have even more of the stuff in the future were questions which seemed rather pointless to ask in Christmas week in Hong Kong. As for that aggrieved night club singer, she might simply have not been good enough for the places when the big money men of Hong Kong went for their fun.

(To be concluded)

Into a world depression?

Jossleyn Hennessy
London

I

Collapse of Bretton Woods System

THE WORLD economy is now going through its most difficult phase since World War II. Since August 15, 1971, we have witnessed the collapse of the old monetary system. At the same time world-wide inflation has jumped from a creep into a gallop, and there are now more and more indications that the era of steadily increasing prosperity in the leading industrial nations is drawing to a close. All of this would be true even without the four-old increase in oil prices, which has widened the inflationery gap between supply and demand to its utmost. The oil price increase is also compelling a prosperity shift that contains the seeds of recession for the industrialised world and disaster for the oil-importing developing nations. Companies, certain business sectors and even whole countries, are showing signs of collapse, so that the spectre of the 1930s looms large in public discussion. Will it remain a spectre, or are we soon to return to a world depression?

First, let us not paint all the storm singals together into a single apocalyptic canvas. The collapse of the Bretton Woods monetary system was really nothing more than the logical consequence of its own built-in contradiction, namely that because the dollar was the main reserve medium, the supply of the world economy with monetary reserves pre-supposed permanent US balance of payments deficits. It was precisely these US deficits, however, which undermined confidence in the dollar and made other countries reluctant to grant the USA unlimited credit, all the more so because of the sharply dwindling gold reserves backing such credits. Against this background, the suspension of the dollar's gold convertibility on August 15, 1971 was logical and held the promise of a more rational monetary order.

The Bretton Woods system did, of course, provide more than enough monetary reserves—especially for countries such as Switzerland and West Germany, where the repeated crisis of confidence in the dollar generated massive inflows of capital. Following the suspension of gold convertibility, these floods naturally assumed panic proportions. Finally, the Swiss National Bank decided to stop accepting the inrushing foreign exchange at fixed rates, preferring to let the Swiss franc rate climb under the pressure of the huge volume of foreign exchange offered rather than watch the money supply expand recklessly as a result of the continous surrender of francs against foreign currency. West Germany revalued several times before floating.

II

Inflation and Floating Rates

The postwar monetary system generated inflationary impulses, and it is the long-term repercussions of these that we are encountering today.

Though no one would claim that floating exchange rates have promoted world-wide stability, at least they have eliminated the compulsion to import inflation and made it possible to get monetary expansion under control. The switch to floating rates (which followed the suspension of dollar convertibility) as the second stage in the collapse of the old monetary system was, however, just as much a result of the aversion of less stability-conscious countries to the restrictive policy needed to keep balance of payments in equilibrium. Thus Britain was followed by Italy and—after the oil crisis—France in withdrawing from the European "snake" (which involved maintaining fixed exchange rates among members) because soaring prices, with their catastrophic effect on monetary reserves, forced them to choose between declaring all-out war on inflation (and taking the consequences in unemployment) and drastically devaluing their currencies.

indirect relation

Hence there was only an indirect relation between the transition to floating exchange rates and the suspension of dollar convertibility. The underlying cause of floating rates was the varying extent to which the European countries were prepared to tolerate inflation. For those among them that place less value on stability, there are, however, two sides to the question of floating rates, It is true that they eliminate the need for deflation to keep the existing parities in line. The trouble is that the resulting gradual devaluation of the currency makes imports increasingly expensive, so that inflation becomes harder to resist. This again leads to devaluation tendencies, which together with the ensuing lowering of export prices, cause a systematic erosion of the economy. Thus the inflationary gap between the demands made on production and productive capacity is widening further. The only way to break this vicious circle is to bolster the currency with outside aid and. at the same time to introduce domestic stabilisation under worse conditions. The need to do this becomes all the more urgent, because the debt owed those who have lent aid piles up as long as the devaluation trend persists. The country's international credit rating suffers as well, limiting its freedom of action in stretching out the slowdown interval.

III

Inflation Breeds Crisis

The progressive inflation plaguing the world, which dealt the final blow to the monetary system and has brought several countries to the brink of bankruptcy, is fully explicable without the oil crisis. The habit of expecting ever-increasing growth rates in nominal income was confronted by shrinking latitude for growth in real terms. Such a discrepency can only survive if it is financed, i. e. if the flow of money available to buy goods grows faster than the supply of goods can be increased. Initially, inflation was financed by the dollar flow towards Europe: by 1973, US balance of payments deficits had accumulated to over $90,000 million, nearly $70,000 million of which was taken up by foreign central banks, —which has thus boosted the domestic money supply in their countries proportionally and permitted money in circulation to expand via the internal mechanism for creating means of payment. Roughly speaking the money supply in the narrow sense (M1) more than doubled in Western Europe and in Japan between 1968 and 1973, while the rise in the USA was only just over one-fourth.

Incidentally, note that the money supply expansion caused by influxes of foreign exchange need not be inevitable; any country with modern central bank can keep it within desired limits. This, however,, does not apply to the Euro-market, which was the target of the remaining dollar balances of about $20,000 million. The credit creation multiplier on that base was virtually unlimited. In any event, the gross amount of short-term dollar balances outstanding in the Euro-market in the summer of 1974 is estimated to have reached much more than ten times the base figure mentioned. So the Euro-market made an explosive contribution as a financing instrument for inflation.

Inflationary processes tend to be self-accelerating, because they give debtors an advantage over creditors, stimulate a fight into real assets—thus speeding the circulation of money—and cripple the will to save. Moreover, social groups try increasingly to institutionalise ways of safeguarding their purchasing power. But it remains true that inflation cannot simply be allowed to run its course, for this would ultimately distort the economic control mechanisms to such an extent that the economic and social order would end in ruins. We are dangerously close to that point; in fact it is possible that several countries have already crossed the thershold.

Unfortunately, it is less widely realised that, in the long run, inflation will not lead to higher growth rates or guaranteed full employment : instead, it ends in economic break-down. The most obivious reason is that the deflation necessary to restore equilibrium must be all the more severe the longer that inflationary excesses have been allowed to go on. The resultant rise in unemployment and under-utilisation of capacity will be that much more serious. Even before this point is reached, though, the inflationary process causes distortions that necessitate painful correctives later on. One example of this was the flight into real estate that inflated the building industry out of all proportion in many countries; now construction is going through critical retrenchment with repercussions on the rest of the economy.

IV

Repercussions of Oil Price Rises

It would not, in fact, be surprising if such excesses were to bring about a recession by themselves. On top of them, however, came a four-old increase in the oil price, the first effect on which was an added inflationary push to all the oil-importing countries simultaneously. It also meant an increased flow of foreign exchange, estimated at $ 60,000 million a year if prices remain constant, into the oil-producing nations. If the producer countries were to use this extra income to buy products from the oil consumer countries, the main result wold be a prosperity shift in favour of the producers. Once the non-recurring price increases were absorbed, further problems of an inevitable nature would not arise.

But the oil producers are incapable of taking in substantial quantities of extra goods in a near future and are just letting their balances accumulate. If they simply extended credit to each oil consumer country by the amount of its oil purchases, the prosperity shift would merely be postponed. But there is no such parallel. When the oil producers buy extra goods—particularly capital equipment—they turn to countries attractive for the purpose, and when they gran credit, they concentrate on the most reliable debtors—who need the money th least. At present, the oil revenues ar still being invested short-term, so that n country is immune to a sudden withdrawal of capital,

This all means that the effect of th higher oil prices to date has been that those countries with the biggest deficits are getting the least funds to see themselves through, so that the deflation pressure is reinforced. At the same time most of the oil money is finding its way to more stability-conscious countries, who nevertheless stick to their restrictive economic policies. Thus the oil crisis is one more reason for the simultaneous appearance of inflation in different countries as well as of the necessary counter measures. Over and above this, it intensified the deflationary pressures emanating from the balance of payments most in those countries where it had already been strongest. When we realise that the risks in the Euro-market are causing increasing repatriation of Euro-dollars, which could easily bring about a cumulative trend toward contraction of Euro-market finance upon which so many institutions and countries depend, it is no wonder many observers fear a world depression on the 1930 scale.

The 1930 depression was triggered by the sudden collapse of the most important financing instruments. The ensuing escalation of unemployment and national protectionist measures ended by destroying the world economic system. The risk of a repetition has now reached the most alarming level since World War II, because we have never seen so many national economies simultaneously stray so far from the path of equilibrium.

a grave risk

We are faced, then, by a grave risk of simultaneous and thus cumulative deflation, which could ultimately get out of control, all the more so because of the instability of certain national economies and financial mechanism (Euro-market, commodity markets). In these circumstances it is understandable that the bottom has dropped out of stock markets, contributing further to the general mood of depression.

Can total collapse be averted?

In the first place, two factors are altogether different from 1930. The system of fixed exchange rates has already collapsed. This means that there is no

TRADE WINDS

Curbs on Company Deposits

THE FEDERATION of Indian Chambers of Commerce and Industry has expressed concern over the Reserve Bank's new directive pertaining to company deposits from the public. Its vice-president, Mr Harish Mahindra, has described the directive as "inopportune", particularly when a study group appointed by the Reserve Bank itself is already examining all the related issues. In a press statement, Mr Mahindra said that the new restrictions would result in denying funds for financing increased output at a time when trade and industry has been badly hit by credit squeeze. It is a moot point as to whether those who are not allowed to deposit their funds with companies will necessarily make them available to the banking system or the public sector which, according to the latest reports, will be permitted to take deposits from the public. The chances are that these funds may be frittered away in non-productive uses. The only result might be that the corporate units will be denied a useful source for financing increased output.

Seminars on Trade Expansion

A team of ten experts from the European Economic Community Commission arrived in New Delhi recently to take part in a series of seminars on EEC's Generalised Scheme of Preferences in four Indian cities organised by the Indian Institute of Foreign Trade. Under the Generalised Scheme of Preferences, the EEC allows imports of manufactured and semi-finished goods from developing countries, including India. The scheme has been in operation, and governs India's exports to the EEC, since January 1, 1971. Discussions took place between the Indian authorities, other interested countries and the EEC last year which led to an improvement in the terms of the scheme for 1975. However, it was felt that the terms of the GSP were not sufficiently widely known throughout India to enable actual and potential Indian exporters to benefit fully from the scheme. The matter was discussed at the meeting of the Indo-EEC Joint Commission held in December last year, and it was agreed that the EEC would take part in a series of seminars in India and publish brochures to assist Indian exporters to make better use of the scheme.

The European Community has already established itself as India's leading trading partner in the world. In 1973-74, India exported goods worth Rs 594.3 crores to the member-countries of the EEC, or nearly 25 per cent of her total exports; and her imports from the same source were worth Rs 683.1 crores, or nearly 24 per cent of her total imports. Indications are that in the current year Indian exports are doing considerably better.

Dakar Conference on Trade

A delegation led by deputy Commerce minister Mr Vishwanath Pratap Singh represented India at the conference of non-alligned countries in Dakar, Senegal, to discuss problems relating to international trade in raw materials and commodities. The conference, which was held in the first week of this month was the outcome of a decision taken by the Foreign ministers of the non-aligned countries in Algiers in March, 1974. Commerce Secretary, Mr Y.T. Shah, was the alternate leader to the conference. Developing countries, which were not members of the non-aligned group were also invited to attend. The Indian delegation played an active role in the proceedings. It made an attempt on equitable solution to the basic problems of trade in commodities which are of interest to all developing countries, including India. The Indian delegation also proposed that a programme should be adopted by the non-aligned countries to double the growth of trade exchanges between developing countries themselves. This directive about doubling trade exchanges was given at the non-aligned summit held in Algiers. The goal is to be achieved by extending preferential treatment for trading and industrial activities. India is among the hardest hit countries, following the steep increase in prices of food, fuel, fertilisers and other industrial raw materials. On the other hand, India's exports such as tea, and iron ore, could not get sufficiently high prices in the world market.

Indo-Australian Cooperation

India and Australia are expected to conclude a trade agreement by the middle of this year. This is indicated in a joint press release issued at the conclusion of the visit of Mr Frank Crean, the Australian minister of Overseas Trade, from January 26 to February 1, at the invitation of the union Commerce minister, Mr D.P. Chattopadhyaya. The statement said Mr Crean referred to the scheme of the Australian government for rendering market assistance to Indian exporters and asked Indian exporters to take full advantage of the scheme. Mr Chattopadhyaya referred to the excellent market in Australia for Kolhapuri chappals and expressed apprehension over the measures taken by Australia to curtail the import of footwear. Mr Crean appreciated the problem and promised sympathetic consideration. The prospects of Indo-Australian cooperation for the development of the wool industry were examined. Mr Crean hoped that India would expeditiously approve the project so that Australian collaboration could assist in increasing the export of wool products from India. The two ministers expressed satisfaction at the outcome of the meeting of the preparatory committee of senior officials of the group of iron ore exporting countries in New Delhi last month where unanimity of view was achieved.

Assistance from Japan

Japan is to provide financial aid to India totalling Rs 51.9 crores for 1974-75. The aid consists of a commodity loan of Rs 19 crores and debt relief amounting to Rs 32.9 crores. Notes relating to the new financial aid were signed in Tokyo between Mr S.T. Than, Indian Ambassador in Japan, and Mr Y. Katori, Director-General of the Economic Co-operation Bureau of the Japanese ministry of Foreign Affairs. The new yen credit is the fourteenth extended by Japan to India since 1958. In addition, the second fertiliser project loan that will constitute a part of this credit is currently under negotiation between the two governments. The commodity loan will cover payments to Japanese exporters for the purchase of steel, chemicals, machinery, power tillers, fertilisers and other raw materials. With the present agreement coming into force, the loans extended by Japan to India since 1958 total Rs 888.9 crores.

Trade with Yugoslavia

A ministerial-level meeting of the Indo-Yugoslav Commission is being held in New Delhi in the middle of this months to review economic cooperation as well as trade relations between the two countries. Yugoslav vice-premier and minister of Foreign Trade will lead his country's delegation and Commerce minister Mr D.P.

hattopadhyaya will lead the ndian delegation. Trade between the two countries under upee payment which showed decline from about Rs 30 rores in 1971-72 to Rs 20 croes in 1972-73 has now appreiably increased after the switch over to free foreign exchange ystem. In 1973-74, the turnover was Rs 31.4 crores. Indian mports from Yugoslavia conist mainly of ships, parts and components of crawler tracors, capital goods, iron and steel bars and rods, drugs and pharmaceuticals and chemicals. The joint committee is likely to consider possibility of Yugoslavia supplying India fertilisers, mercury and zinc.

Exports by Air

The government has decided to encourage exports by air. For this purpose, a high-level standing co-ordinate committee for the promotion of exports by air (scope-air) has been set up. The committee, headed by Mr R. Tirumalai, Additional Secretary, ministry of Commerce, includes representatives of the Central Board of Excise and Customs, Airport Authority, Air-India, Indian Airlines, State Trading Corporation, and the Air Cargo Agents Association of India. The committee had two sittings—one at Delhi and the other at Bombay. The next sitting is proposed to be held at Madras. According to its terms of reference, the committee will explore ways and means of setting up air cargo processing centres at the four major international air-ports—Delhi, Calcutta, Madras and Bombay—to help exporters secure certification, inspection and customs clearance on the spot before the cargo is airfreighted. Air transportation has many advantages, such as speedy delivery, avoidance of pilferage and customer satisfaction. Exports by air increased from Rs 90 crores in 1970-71 to Rs 265 crores in 1973-74, and are expected to go up further in 1974-75.

Rupee-Rouble Parity

The Indian rupee's exchange value in relation to the Soviet rouble has declined. According to the USSR State Bank's bulletin of exchange rate for February, one hundred Indian rupee is now worth 8.88 roubles as against 9.09 in January. The value of the pound sterling to which the rupee is tied also came down from 1.66 roubles to a pound in January to 1.60 roubles. The rates are operative for current transactions. It is Moscow's contention that they would not affect Indo-Soviet trade as prices under the existing protocol are fixed in Indian rupees. The Soviet government revalued the rouble against the US dollar by three per cent. The rouble now is quoted at 70.50 US cents as against 73 cents last month, this means it takes nearly $1.42 to buy a rouble as against $1.37 previously.

The transferable rouble, COMECON's currency for multilateral clearing, is open for use by third countries including India as medium of settlement of trade with these countries, according to the Managing Director of COMECON's Bank for Economic Co-operation, India's trade with the socialist countries who are members of the COMECON is carried on in rupees with the exception of Poland, which recently went over to clearing US dollar. It is open for India to unify clearance of the whole or part of its trading accounts with the COMECON in transferable roubles.

Taxation Agreement with Afghanistan

The draft of the proposed agreement on avoidance of double taxation between India and Afghanistan in respect of profits of enterprises operating aircraft in international traffic was initialled recently by the leaders of the delegations of the two countries. The draft will now be submitted to the respective governments for their approval.

World Steel Output

According to preliminary figures compiled by the International Iron and Steel Institute the world produced more steel in 1974 than ever before. With an aggregate figure of 710.11 million tonnes, steel production last year showed a 1.9 per cent or a 12.95 million tonne increase over 1973. The USSR produced 136.3 million tonnes to return to first place which it occupied in 1972, followed by the USA (132 million tonnes) Japan 117.14 million tonnes), West Germany (53.23 million tonnes) and France and China (27 million tonnes each). The nine EEC countries produced an aggregate of 155.67 million tonnes.

After a monthly peak of 42 million tonnes in October 1974, the December production figure of 38.2 million tonnes for the 24 IISI countries shows a noticeable decrease on the 40.44 million tonnes produced in December 1973, some steel industries having been affected sooner than others by a general slow down of demand in particular in Belgium (18.5 per cent) ,Japan (8.6 per cent), UK (.7.1 per cent) and the USA (13.6 per cent) where a coal strike also affected the rate of production.

Assistance for Drought Prone States

The union government has, as a special case, decided to give Rs 55 crores to the drought-affected and flood-ravaged states of Gujarat, Rajasthan, Madhya Pradesh, Orissa, West Bengal and Assam. However, this amount would be adjusted against the Centre's contribution towards the development plans of these states for the next financial year. While agreeing to this ad hoc assistance, the Centre is understood to have told all the states, including those affected by natural calamities, that it should not be treated as a precedent for the future. It is no more than a one-time exception. New Delhi has also reiterated that the states should try to raise additional resources by raising power tariff and water rates, enforce collection of betterment levy and impose a tax on agricultural incomes as recommended by the Raj committee some three years ago. The centre also warned the states against any diversion of these funds. They are enjoined to use these either for undertaking new medium and major irrigation projects or for expeditiously completing those which are in hand at present.

State Plans

The 1975-76 Annual Plan outlays of 16 states, so far finalised by the Planning Commission, show an overall increase of Rs 370 crores over the approved outlays for the previous year. The central assistance to state having been pegged at the current year's level, these states will have to allocate extra resources for the Plan out of their budgets, through measures for additional resource mobilisation, increased market borrowings and collection of tax arrears. Large increase have been agreed to by the commission in the case of Maharashtra (Rs 75 crores), Madhya Pradesh (Rs 63 crores) and Punjab (Rs 56 crores). Maharashtra's outlay includes a provision of Rs 50 crores for the state government's employment guarantee scheme. The Punjab outlay is bigger than what originally proposed by the state government. The commission has approved the outlays of all but five states, namely UP, Tamil Nadu, Karnataka, Himachal Pradesh and Manipur.

Eastern Zone Meet

Inaugurating the zonal conference of the civil supplies ministers of eastern states in Calcutta recently, Mr A. C. George, minister of State for Industry and Civil Supplies, stated that out of the sixty essential items of mass consumption identified in the distribution scheme, nearly fourteen commodities like foodgrains, sugar, standard cloth, vanaspati and fuel were vital for the people. These would be given top priority in the new distribution scheme. Mr George felt that the state governments had a very important role to play in implementing this ambitious scheme for making available essential commodities to the people.

That was the purpose for which the zonal conference had been convened. Although the task was not easy, he was confident that, with the cooperation of the state governments, steps would be taken shortly to implement the scheme. Outlining the scheme, the minister suggested that the consumer cooperatives all over the country could be used to great advantage in the proper distribution of essential consumer goods. Initially, the scheme, he disclosed, would cover the metropolitan cities and towns with a population of five lakhs or more. Industrial areas with concentrations of workers' population could also be included.

Sugar Price

Ex-factory price of levy sugar of 1974-75 production were notified on November 28, 1974. The government have reviewed the position taking into account the need to ensure the securing of a reasonable return on the capital employed in the business of manufacturing sugar in the context of sugarcane prices, the increase in the manufacturing cost of sugar arising mainly from revised wages, higher interest rates etc. and the anticipated higher realisations of the factories from disposal of levy-free sugar.

Keeping in view the need for maintaining the present falling trends in prices of essential commodities, it has been decided that there should be no change in the ex-factory prices of levy sugar but that the ratio of levy sugar to free sale sugar should be revised from 70:30 to 65:35 for the 1974-75 season.

The union government announced that the ratio of levy sugar to free sale sugar for 1974-75 season would be 65:35, instead of 70:30 which had been the ratio ever since free sale was allowed some years back.

Meanwhile, the UP government has decided to procure nearly 20,000 tonnes of white crystalline khandsari sugar through a 33 per cent levy on open pan-khandsari units in the state with immediate effect, at the rate of Rs 200 per quintal.

In a statement to the press, Mr P. Maruthai Pillai, President, Indian Sugar Mills Association has expressed great disappointment at the government's announcement not to revise the levy sugar prices for the current season. No doubt, government have recognised the legitimate demand of the industry for higher levy prices due to sharp cost increases caused mostly by statutory provisions. Besides, higher cane prices fixed by the government, the rates of cane cess and purchase tax have also been increased by the state governments. Further, there has been substantial increase in the wages. The current interest rates too are higher by 60 per cent than those adopted by the Tariff Commission. Furthermore, there is an all-round sharp increase in the prices of essential raw materials and stores. Mr Pillai regretted that in the face of such sharp cost escalations the relief proposed by way of additional five per cent free sugar was in no way commensurate with the cost increases, and would create an erroneous impression that the factories have been adequately compensated.

Entrepreneurship in Education

The National Alliance of Young Entrepreneurs organised a workshop on 'Entrepreneurship in Education' in collaboration with National Youth Forum and Small Industries Service Institute on February 1, 1975. The Workshop was attended by over 100 Principals of the Colleges and office bearers of the student unions besides senior officials of the union government and Delhi Administration. The Workshop endowed a programme for introducing stream of entrepreneurship in educational system and to form business groups in the colleges to be run and administered by the students. NAYE proposes to organise Industrial Entrepreneurship Acclamatisation course during the Summer Vacations for the benefit of selected boys and girls from 100 Educational Institutions in the country as a pilot project. During this course, the participants will be staying at Industrial Estates or Industrial Areas for a period of three weeks to acquaint themselves with the planning, setting, up and management of small enterprises.

Railway's Record

The Railways have surpassed all previous records in wagon loading during January 1975, according to an official Press release.

On an average, 23,179 broad gauge wagons were loaded daily with freight traffic. This is the highest figure ever achieved in any year in the month of January. In January 1974, 20,864 broadgauge wagons were loaded every day.

The daily average loading on the metre gauge was 5,7 wagons during January 19 as against 5,874 in Janua 1974.

The Railways also achieved record daily average loadin of coal during the mont Surpassing the previous be figure of 8,735 wagons achieve in February 1969, the Rai ways loaded, on an averag 8,901 wagons of coal dail during January 1975.

The loading of iron ore fo export was more than th month's target of one millio tonnes, it is claimed.

Names in the News

Mr Baburaoji Parkhe, a renowned industrialist of Poona has recently been co-opted a a Director on the Board o Directors of the United Western Bank, Ltd., Satara, in the vacancy caused by the retirement of Mr G V. Palkar.

DGS&D

DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS
DISPOSALS WING: COMMODITY SECTION

Parliament Street, New Delhi

TENDER PROGRAMME

FOR THE MONTH OF FEBRUARY, 1975

1. *CPM/544042/18 due on 27.2 75* at Sewak Base Depot, Dimapur (Nagaland). Stores : Road-Roller AJ-EM No. 1108-X fitted with Diesel engine—1 No.
2. *CPM/544009/18-Split due on 28.2.75* at Sub-Divn. IV, (Road machinery section) PWD IV, PWD St, Inez, Panaji, Goa. Stores : ABG-Werke, Road Roller 1.5 Tons, Diesel engine—1 No.
3. *DGS&D/SVH/VH/507541-53/21*, 22, 23, 24 *due on 26.2.75 at* VSD, Meerut. Stores : Vehicles i.e. Ly. 3 Ton TMB S Baker Motorcycles R/E Nissan Car Willys, Dodge Tractors etc.—195 Nos.

Tenders will be received and opened at 2-30 p.m. and 3.00 p.m. respectively on the above dates.

Offers will remain open upto 29.4.75 for Serial Nos. 1 & 2 and 26-4-75 but not less than upto 26-3-75 for Serial No. 3

Each tender must be accompanied by two Deposit-at-Call Receipts—each representing 5% of the tendered value as (i) Earnest Money and (ii) Security Deposit subject to maximum amount of Rs. 1 lakh. Tender forms and details can be had from the Cashier. DGS&D, New Delhi, Director of Supplies and Disposals, Calcutta, Bombay, Madras and Kanpur @ Rs. 5 (non-refundable) per set (non-transferable) in Cash or by M.O.

DGS & D RESERVES RIGHTS TO REJECT ALL OR ANY OFFER WITHOUT ASSIGNING REASONS THEREOF.

—davp 74/439—

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A village smiles

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COMPANY AFFAIRS

Further Erosion

DULL TRADING and a further rosion in equities marked trading on the stock exchange last week. Reports of good rabi crop prospects, improvement in ndustrial production and indication of liberalisation in licensing procedures failed to cheer up marketmen. The market sentiment, on the other hand, was depressed by such reports as the introduction of a bill imposing ceiling on urban property in the Budget session of Parliament, pruning of annual plan allocation and fears of heavy taxation in the approaching central budget. Consequently the business turnover was moderate, with equities moving both ways.

Prices of selected leading scrips declined sharply in Dalal Street on nervous bull unloading and long liquidation. On the whole sellers had an upper hand due to persistent offerings during the week. The week concluded on an easy note. The volume of business was restricted. The Calcutta Stock Exchange turned gradually easy during the week under review with previous gains being partially wiped off. While investors kept away from the market, institutional buyers were scarce. Intermittent short covering and scarcity of floating stocks at times helped a mild recovery but gains could not be sustained due to bear pressure as well as lack of follow up support. A mixed tendency marked the week's moderate trading on the Madras Stock Exchange.

Consolidated Coffee

Consolidated Coffee Ltd has reported substanital improvements in its working results during the year ended June 30, 1974. Its sales including gross income, recorded a smart rise Rs 7.36 crores from Rs 6.52 crores while gross profi went up to Rs 147.12 lakhs, registering a handsome increase of Rs46. 25 lakhs over 1972-73. The net profit, after providing for taxation, too was higher at 64.57 lakhs as compared to Rs 58.37 lakhs in the preceding year. After deducting Rs 1.17 lakhs, being the amount already disbursed for payment of preference dividend and making other adjustments, the disposable surplus amonts to Rs 62.75 lakhs as compared to Rs 61.79 lakhs in 1972-73. Out of this a sum of Rs 3,621 lakhs was transferred to development rebate reserve, Rs 57.07 lakhs to general reserve No. 1 and Rs 5.65 lakhs to general reserve No. 2 as against Rs 5,260, Rs 29.34 lakhs and Rs 32.40 lakhs provided respectively in 1972-73.

During the year 7,15,498 bonus shares of the face value of Rs 71,54,980 were issued by capitalisation of general reserves in the ratio of two shares for every five shares held. The total issued and paid-up capital now stands at Rs 269.17 lakhs. The director have recommended a dividend of 12 per cent on the equity capital as enhanced by the bonus issue as compared to 18 per cent declared in the preceding year on the capital before the bonus issue. The dividend recommended for 1973-74 is the maximum permissible under the dividend ordinance.

Baroda Rayon

Sales of Baroda Rayon Corporation have nearly doubled in 1974 to Rs 19.44 crores from Rs 10.01 crores in 1973, Output of rayon yarn went up appreciably from 4280 tonnes to 4301 tonnes, while its sales improved substantially to Rs 11.39 crores from Rs 9.68 crores in 1973. The nylon yarn plant which was commissioned in February 1974 account for an output of 821 tonnes and added Rs 7.51 crores to the turnover. It is expected that the nylon yarn unit will be stepping up its output to 1800 tonnes in 1975.

The project for manufacturing nylon tyre cord with a capital outlay of Rs 12 crores will be undertaken for implementation shortly. Technical collaboration with Unitika of Japan has been obtained. It has also received the clearance from the government for the importof plant and machinery. The possilblities for using different types of woods for manufacturing Rayon grade pulp has been explored and the process developed by the company is being tested in the national laboratory. The company has also in hand a letter of intent for setting up a cellulose film unit. Steps are being taken to implement the scheme in collaboration with Travancore Rayons.

Vazir Sultan

Vazir Sultan Tobacco Company Ltd has received the consent of the Controller of Capital Issues for making a rights and public issue amounting to Rs 283.2 lakhs in 17,70,000 shares of Rs 10 each at a premum of Rs 6. The issue is being made with two major considerations. One aim is to encourage Indianisation and through this capital reorganisation the foreign shareholding in VST will be reduced to a minority i.e. blow 40 per cent. Besides the additional capital raised will be utilised for financing its diversification programmes which will open-up for the company a whole range of new activities.

As the cigarette business is in sound shape the company is seeking growth in non-tobacco areas which, if successful, will be an insurance for the future of generating income from other sources. In pursuance of this policy the company is branching out into the field for the manufacture of leather and leathes goods. The management feels that to ensure success in its diversification plan it will be necessary to enter into a high priority sector which fits in with the development plans of the central government and by the nature of priorities provides for preference in raw materials, import licences and support by financial institutions. Negotiations for such a project have already reached an advanced stage. Details regarding the project will be made known after receiving all clearances from the concerned authorities.

Meanwhile the company has reported quite encouraging working results during the year ended Septmber 30, 1974. With a longer expansion in turnover from Rs 61.09 crores to Rs 74.19 crores, profit before tax too recorded a handsome rise to Rs 341 lakhs from Rs 273 lakhs in 1972-73. The profit after tax was also substantially highr at Rs 93 lakhs as compared to Rs 90 lakhs in 1972-73. After transferring a sum of Rs 4.40 lakhs to development rebate reserve and Rs 64. 26 lakhs to general reserve, a final dividend of 12 per cent has been declared absorbing Rs 24 lakhs. The board of directors would have declared a dividend of 25 per cent but it was not possible because of the 12 per cent maximum permitted under the dividend ordinance. It is the intention of the company to revert to 25 per cent as soon as the restriction is removed.

Mangalore Chemicals

Mangalore Chemicals and Fertilizers is about six months behind schedule. It hopes to commission its amonia plant May 1975. Urea s expected to be produced by the end of June or early July. The delay of about six months has resulted in raising the project cost by Rs 7.92 crores. This overrun in project cost will be met by additional long-term loans of Rs 4.92 crores from financial institutions and short-term bridging finance of Rs 3 crores from banks. The directors feel that the rise in overall project cost and higher prices for naptha and fuel oil will be compensated to some extent by higher ex-factory sales realisations following the enhacement of the statutory medium retail price for urea. The project's profitability and cash generation potentials, according to the directors, therefore, continues to remain as attractive as originally estimated. The company will get the benefit of full development rebate of over Rs 9 crores.

Holiday Inn

The country's first Holiday Inn was opened in Agra last month. It will be entirely owned and operated by Northern India Hotels Ltd. This hotel has been built in collaboration with the world's largest hotel chain, Holiday Inn Inc, which has almost 1700 hotels in over 40 different countries. Situated on the main highway to Kanpur Holiday Inn offers a grand and clear view of the famous mausoleum from sixty per cent of its rooms. It has 84 rooms, each room well-furnished, with attached bath, telephone and 4-channel music. The Holiday Inns, world over, have earned reputation for their hospitility and distinction for guest service. Now Agra too has a Holiday Inn which combines thc expertise of the west and the raditional hospitality of India. It goes without saying that Holiday Inn is ideally suited for group travels, conferences, seminars and special functions, offering every comfort and convenience, if Agra is chosen as the venue.

Voltas

Voltas limited and a French chemical group Rhone-Poulenc have formed a new company styled Volrho Limited. This new company will manufacture phosalone, an organo phosphatic pesticide at patancheru in Andhra Pradesh. Phosalone has been found very effective for the treatment of a number of crops particularly cotton and tea. It has been extensively field tested in our country with encouraging results. While manufacture of Phosalone formulation will commence in 1976 from imported technical material, the plant for manufacturing technical phosalone with a capacity of 1000 tonnes per year is expected to be completed by 1977.

Walchandnagar Industries

Walchandnagar Industries has reported satisfactory working results for the year ended September 30, 1974. Its turnover increased by about 32.4 per cent to Rs 21.85 crores from Rs 16.50 crores while gross profit went up only by about five per cent to Rs 1.42 crores from Rs 1.36 crores in 1972-73. The directors have proposed a lower equity dividend of 7.7 per cent as against 12 per cent declared for the previous year. Out of the gross profit, the directors have set apart a sum of Rs 48.36 lakhs to depreciation reserve as compared to Rs 43.30 lakhs in 1972-73., while the allocations to development rebate reserve was enhanced by Rs 2.01 lakhs to Rs 6.51 lakhs. An amount of Rs 38.60 lakhs was earmarked for meeting taxation liabilities as against no provision in the earlier year. The net profit out of these allocations amounted to Rs 48.71 lakhs as compared to Rs 88.62 lakhs in the previous year.

Khandelwal Ferro Alloys

Khandelwal Ferro Alloys has fared extremely well during 1974 with turnover, gross profits and profiitability recording impressive improvements over the preceding year. Turnover during 1974 registered a sharp rise to Rs 17.77 crores from Rs 13.69 crores while gross profit jumped to Rs 1.58 crores from Rs 1.09 crores in the preceding year. The ratio of gross profit to turnover too moved up from nearly eight per cent to about nine per cent. The directors have proposed an equity dividend of seven per cent on a larger capital resulting from two-for-five bouds issue. This is the maximum permissible dividend under the dividend ordinance.

In 1973 the company declared a dividend of 12 per cent. Out of the gross profit, the directors have appropriated a sum of Rs 29 lakhs to depreciation reserve as against to Rs 34 lakhs in previous year while taxation absorbed Rs 76 lakhs as compared to Rs 49 lakhs in the earlier year. The net profit after these allocations amounted to Rs 52 lakhs as compared to Rs 25 lakhs in 1973. Commenting on the prospects, the directors state that the export market for ferro manganese continues to be good and that the outlook for the tube mill will depend on the availability of raw materials.

American Express

Estimated consolidated net income of American Express Company and its subsidiaries in 1974 increased to a record $156.8 million compared with $ 150.9 million in 1973. Net iucome per common share was up 4.3 per cent to $2.18 per share from $2.09 per share in 1973. The year was the 27th consecutive one in which American Express Company has reported increases in consolidated net income and net income per share (before extraordinary credits in certain prior years). It was also the first time in the Company's 124-year history that operating revenues exceeded the $2 billion mark. For the year total income from Travel and Financial Services (other than Insurance) was up 28.1 per cent to $ 82.5 million from $64.4 million. Total income of Insurance Services for the year was $74.3 milion, down from $86.5 million.

Commenting on the working results Mr Howard L. Clark, chairman and Chief Executive officer, said "The encouraging aspect of an extremely challenging year was the consistent strength of Travel Related Services and American Express International Banking Corporation, despite worldwide inflation, recession and the energy crisis in 1974. The basic fact remains that both

TEN TO ONE DJ GETS THE LAST CHARMINAR
CMVS-67-102

Travelers Cheques and Card achieved new records in sales and they, along with American Express International Banking Corporation, also achieved new record earnings. The year's results demonstrate the underlying strength and balance of American Express since the highly satisfactory increases in earnings by the Travel and Financial Services businesses offset a cyclical decline in consolidated earnings of the Insurance subsidiaries." Travelers cheque sales were impressive throughout the year and this upward trend continued to strengthen in the fourth quarter and into the first three weeks of 1975. Outstandings increased to over $ 1.2 billion, up by 9 per cent over 1973. A substantial part of these outstandings have been invested in long-term, tax-exempt securities at the record high levels of interest rates in 1974.

News and Notes

The IDBI has refused permisssion to **Vardhman Spinning and General Mills** for issuing one-for-one bonus shares though the company has received the sanction from the Controller of Capital Issues for the same. The company is approaching the IDBI again for its permission.

The National Radio & Electronics Co. Ltd. (NELCO) have placed on the market a new range of electronic calculators. The new product line, which is called the "Sigma Series", includes basic and memory calculators with several additional features and an advanced scientific calculator the IC-99S which will be of benefit to the scientific and engineering community. The Sigma Series of calculators are being marketed by NELCO directly.

Ashok Leyland has obtained an order for 80 industrial engines from Philippines. The total value of this order is Rs. 14 lakhs. This is the first time that Ashok Leyland products are being exported to Philippines. Early deliveries, competitive prices and superb quality of the company's products have contributed in obtaining this order. The first lot of 20 Engines has already been shipped, and the entire order is expected to be completed by March 1975. It is significant to note that Ashok Leyland, after achieving significant breakthroughs in the African countries, is now entering one of the most developing markets in the south east Asia.

New Issues

Camphor and Allied Products Ltd is offering to the public for subscription 5000 convertible bonds of Rs 1000 each at par, carrying interest at the rate of 10 per cent per annum payable half yearly on June 30 and December 31 each year. The subscription list for this fully underwritten issue opens on February 10 and will close on February 20 or earlier but not before February 13. The novel features of the bonds issue are that the bondholder will have, within the period of six months prior to the expiry of the fifth year from the date of allotment, an option to convert each of his bond into three equity shares of Rs 100 each at a premium of Rs 100 per share and obtain a cash refund of Rs 400. The bond, subject to the right of conversion, will be redeemable at par on the expiry of 10 years from the date of allotment.

In case a bonus issue is made by the company on or before the last date for conversion, the entitlement on bond-holder will increase from three shares in the same proportion in which the equity capital of the company is increased by the issue of such bonus shares the fractions arising on such increase being regulated in terms of the bonus issue. The premium on such equity shares and the amount to be refunded will also be correspondingly changed. Similarly in the case of a rights issue, the amount of premium would be liable to be changed suitably. The convertible bonds thus combine the best features of equities and fixed income securities and is an ideal of form of investment in the existing conditions. It assures the investor with a regular income, provides a hedge against inflation and gives liquidity to his holdings.

The company has embarked on a massive expansion and diversification programme. The capital outlay on this project is estimated at Rs 1.46 crores and a part of this cost will be financed from the proceeds of the present issue. The company has already made considerable progress in the implementation of this project. The equipment for the CP resin plant and new distillation column and change in the process of manufacture of camphor has already been installed and commercial production has been started. As for as the PMHP and sodium acetate plants are concerned, orders for machinery have been finalised. The entire equipment, imported as well as indigenous, are expected to be received by the end of May and trial production is expected to commence by June 1975.

Sundaram Abex, a company promoted by the TVS group of Madras, is setting up a project at Padi, Tamil Nadu for the manufacture of organic friction, materials. This project is being set up in collaboration with Abex Corporation of the USA. To raise part of the resources required for the implementation of this project the company will soon be offering to the public fo subscription equity share worth Rs 30 lakhs, all in equity shares of Rs 10 each at par The capital outlay on th project is estimated at Rs 1.6 crores. It will be financed b the share capital of Rs 7 lakhs, medium term loans an deferred payment guarantee o Rs 61.10 lakhs and loans an deposits of Rs 25 lakhs. The Indian promoters will subscrib to shares to the tune of Rs 22.5 lakhs while shares worth R 22.50 lakhs will be alotted t Abex Corporation against the supply of plant and machinery

Organic friction material ar used in transport industry a brake linings for vehicles. A study of the market potentia indicates that the demand fo these materials will be double by the end of the fifth Plan As against the present licenced capacity of 4415 tonnes o brake linings, demand ha been estimated at 5300 tonne by 1975-76 and 9200 tonnes b 1979-80. The company licensed capacity is 1500 tonnes Though the company will hav to face stiff competition fron such manufacturers as Hindustan Ferodo, Rane Brake Linings and UNI-Abex Allo Products, the managemen does not anticipate any difficulty in marketing its products. Hence the projects by all counts, is a profitabl venture with good growt prospects.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Nonsuch Tea Estates	June 30, 1974	12.0	10.0
Same Dividend			
Madan Industries	June 30, 1974	Nil	Nil
Megna Mills Co.	March 31, 1974	Nil	Nil
Pulgoan Cotton Mills	June 30, 1974	Nil	Nil
Reduced Dividend			
Shree Madhusudan	June 30, 1974	5.0	10.0
Western India Plywoods	March 31, 1974	7.0	17.0
West Coast Paper	June 30, 1974	12.0	13.0
Sirpur Paper	June 30, 1974	8.5	10.0
Standard Batteries	June 30, 1974	Nil	12.5
Excel Industries	Sept. 30, 1973	16.0	12.0

SUDARSAN TRADING COMPANY LIMITED

Registered Office : CALICUT-673 011.

ANNUAL GENERAL MEETING

Speech delivered by Maj. Gen. D. C. Misra, M. C. (Retd.), Chairman, at the Annual General Meeting of the Company held at the Conference Hall, 'Sudarsan Building', Chakkorathkulam, Calicut-673011 on Friday, the thirty-first day of January, 1975 at 3 O'Clock in the afternoon.

Gentlemen,

I am very happy to welcome you to this, the Fifteenth Annual General Meeting of your Company.

The Report of the Directors and the audited Accounts have been submitted to you already. With your approval I shall take them as read.

As you would have observed from the Directors' Report, 1974 was a year of measurable progress for all the Constituent Units of your Company inspite of the depressed economic conditions in the country.

During the past year, the Indian economy was subjected to Himalayan strains. Droughts and floods caused their usual devastation. A deteriorating power situation and sky-rocketing oil prices further served to play havoc on all sectors of the economy. Prices of even the essentials of life continued to shoot up, spreading misery and disaffection.

All these pose a threat to the way of life we have so arduously built-up in the last 25 years. But I am sure that under the leadership of our esteemed Prime Minister, Smt. Indira Gandhi, we shall weather the storms and get back to the sunlit uplands of stability and prosperity before long.

Reverting to our own operations, the year under review was again a period of uninterrupted progress. Profits of the Company, after providing for depreciation and other operating expenses was Rs. 28,22,091/-.

The segregation of the Chit business from other activities has proved to be a great success. The fully owned Subsidiary, Sudarsan Chits (India) Limited, which we had setup for this purpose, commenced business on May 1, 1973. It had imparted a measurable sense of purpose and efficiency to our Chit Fund business. The total business procurement during the year touched new records. That this should have been possible against a backdrop of general economic distress shows what an important role Chit Funds play in the country today. They meet vital credit needs of society, especially those sectors of Society on whom institutionalized sources of credit have wittingly or unwittingly turned their back. With over 100 Branches spread throughout the country, our Chit Funds have been providing direct employment to several thousands, in addition to activating innumerable opportunities of employment in avenues like agriculture, small and medium industry, trade and commerce which are constantly serviced by the Chit Funds. The Share-holders will kindly recall that our Company had humble beginnings just about two decades ago. By dint of hard work, prudence and careful management it had the good fortune to obtain a pre-eminent position in the field of Chit Funds. Of late, we have been diversifying our activity to include industry, agriculture, hotelier-ing and exports. The Sudarsan group is proud that today it provides stable employment to thousands of persons.

Incidentally I am to take the Share-holders into confidence about certain facts. Shri Velayudhan, our Managing Director has been at the helm of affairs of this Company since 1956, when it started as a small partnership firm and was eventually converted into a Private Company and later into a Public Company in 1965. The phenomenal progress that your Company achieved during the short span of life is directly
due to the personal dynamis
of its Managing Director. H
organisational ability, foresig
and sincerity of purpose ha
borne fruit in the form
steady and laudable progre
as indicated in the performan
figures furnished below:

Recently the legislatio
governing the conduct of Ch
Funds have been enacted i
the Union Territory of Go
and the State of Maharashtr
Although there was talk of in
troduction of uniform A
India legislation, at the momen
the statutes vary from Stat
to State with the result an A
India Organisation like our
has to meet the requirement
of law in various measures a
the same time. We have bee
endeavouring to focus th
attention to the authorities t
the fact that the Tamil Nad
Chit Funds Act, which wa
also adopted in the Unio
Territory of Delhi, is the idea
piece of legislation to be fo
lowed uniformly, and our effo
so far have met with littl
success. We have been cont
nuing to plead with the Unio
Government for national legis
lation to control and regulat
Chit Funds. We have reason
to believe that the Govern
ment of India is seriously con
sidering the suggestion.

With its simple and rura
origin Chit Funds were bein
conducted in ancient days b
individuals who were bein
held in esteem in society. A
you know, it is your Com
pany that gave the ancien
and completely indigenous in
stitution of Chit Funds
modern frame-work and as

Year ended	Paid-up Capital	Reserves	Turn-over (Gross income during the year.)	Net Profit
31-7-1965	20,000/-	2,773/-	15,55,648/-	1,06,978/
31-7-1966	5,26.325/-	32,773/-	31,60,333/-	1,03,283/
31-7-1967	7,57,225/-	50,000/-	32,26,712/-	1,96,629/
31-7-1968	7,58,700/-	55,000/·	86,30,973/-	2,49,040/
31-7-1969	7,59,776/-	60,000/-	96,99,551/-	2,57,281/
31-7-1970	7,63,676/-	80,000/-	1,24,96,819/-	3,30,440/
31-7-1971	21,58,675/-	3,07,448/-	1,92,07,749/-	11,54,618/
31-7-1972	22,25,600/-	5,44,406/-	2,42,53,145/-	17,36,402/
31-7-1973	22,29,600/-	9,14,585/-	2,55,36,694/-	25,29,206/
31-7-1974	22,30,375/-	15,74,519/-	*3,88,85,366/-	28,22,091/-

*inclusive of Units & Subsidiaries.

sured it an important place in the country's economic and financial system. In furtherence of this goal we shall spare no efforts.

With your permission I now move on to the working of our other Units.

Feroke Tile Works: The arrangement by which the Tile Unit of the Feroke Tile Works has been leased out continues to function smoothly. The Unit at Rajahmundry is being transferred to Sudarsan Clay Products Limited, a wholly-owned subsidiary of your Company. Improved performance by the Rajahmundry Unit has started yielding profits. The Pipe factory at Feroke, the lease arrangements of which, were terminated earier consequent to labour unrest faced by the then lessee, s now almost ready for operation. The Share-holders will appreciate that the reduction in sales and profits were due to the continued closure of this Unit during the year. Efforts are under way o lease out this Unit.

Standard Furniture: The Unit was plagued by raw-materials scarcity. Soft wood and urea formaldehyde resin—all became scarce; the latter because of the abnormal rise in the cost of petroleum products. Despite these difficulies working results have been satisfactory. It may please be observed that the sales have registered notable upward trend with the result the rofits have also increased onsiderably. Your Directors have already taken steps to increase the production capaity of the Standard Furniture at Chalakudy by putting up a modern Jet Drier. The Government of Kerala has aleady been approached to anction increased quantity of imber in order to put the Plant to full utilisation and to provide increased employment opportunities. Your Direcors trust that the Government would view the matter ympathetically and sanction he required additional allotment of timber at the earliest opportunity.

Mylampara Estate: Eventhough production, sales and profits have improved, it has become evident that the estate needs further infusion of capital to make it viable. Even so, the progress that can be achieved will only be marginal for the foreseeable future. Moreover, the Unit is chronically beset by labour problems. The Directors are therefore not in favour of furthere investments and recommend to the Share-holders disposal of this Unit. A Special Resolution has been proposed for this purpose.

Subsidiary Companies:

Sudarsan International Ltd.: The Share-holders may perhaps recall that the Hotel project at Madras was envisaged with the idea of putting up a luxury Hotel with over 200 double rooms. three restaurants, Coffee shop, Bar, Banqueting Hall and three Conference Rooms with an imposing lobby. According to current costing for luxury Hotels of Five-Star standards the rate per lettable room is estimated to be in the region of Rs. 2.5 lakhs and as such the entire project, for completion, is budgeted to cost the Company over Rupees Five Crores. The basic services such as transformers, lobbies, air-conditioning and electrical equipments, etc., were initially planned to cater to a hotel of this type. However, your Directors thought it advisable to have the project in three phases. We have been successful in the commissioning of Phase I without upsetting the schedule much. Phase II is also progressing satisfactorily. Phase III may take about three years to complete in the normal course. Although the period covered is of short duration and the scope of operations restricted to 35 rooms, one Restaurant and the Permit Room, the results obtained have been very encouraging and augurs well for the future.

The first Phase of the Hotel project was commissioned on February 9, 1974. The Hotel has already earend a name for its comfortability, efficiency and cuisine. On completing its second and third Phases, it is certain to find a place among the top Hoteliering establishments of the Country.

Sudarsan Clay Products Limited: The Share-holders will observe that the Director's Report on the Subsidiary covers a period just under a year as at 31st March, 1974. After careful study of the working of the various Departments of its undertaking at Standard Pottery Works, Alwaye, detailed negotiations were held with the Workers' Union. Effective from January, 1974, the entire working of the factory has been re-organized and efficient manning scales have been introduced with the co-operation of the Workers Unions. Plans for utilisation of alternative fuel in the place of furnace oil and fire-wood for firing the Kilns and Boilers are also under active consideration. Increase in costs, scarcity of raw materials, frequent power failures, acute fuel scarcity and enormous rise in wages had to be met. However, considerable attention has been given towards streamlining the operation of this Subsidiary. Vigorous efforts are being made to increase production and sales. New agreements have been made with labour. The Share-holders may rest assured that during the year ahead, this Subsidiary will register 'appreciable progress all round.

Sudarsan Chits (India) Limited: I have already dealt with the prospects of Chit business of your Company. I may add that the implementation of very idea of segregating chit business from the holding company, has had the desired results. This has helped to stream-line the administrative set-up of the Organisation and also to reduce the operational expenses to a certain extent. Needless to say that it is most essential for the system to function under financial discipline and model regulations, for organised conduct and healthy growth. Your Company fully subscribes to these views and had therefore been advocating a policy of regulated growth.

General: Your Directors will be doing their utmost to keep the Company firmly on the path of steady and uninterrupted progress. For all its achievements in the past year as in the years before, a great part of the credit should go to the Company's Employees, Agents, Staff and Officers. To their loyalty and devotion I extend my greatful appreciation.

Thank you,

MAJ. GEN. D.C. MISRA,
M.C. (RETD.) Chairman.

Calicut,
31st January, 1975.

(This does not purport to be the proceedings of the Meeting.)

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist his publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 5 per copy. The annual subscription is Rs 20.

Inquiries regarding subscription and advertisement may be addressed to :

The Manager,
The Eastern Economist Ltd.,
Post Box No. 34, New Delhi-1

Indian Oxygen Limited

The following is the Statement of Mr K Hartley, Chairman, Indian Oxygen Limited, which has been circulated to the shareholders along with the Company's Annual Report for the year ended 30 September 1974.

It gives me great pleasure to present this statement for the first time since I succeeded Mr A K Sen on 1 April 1974 to the office of Chairman of the Company, while continuing to be its Managing Director. I have been with the Company for many years and it is a very great privilege to be its first executive Chairman. I am keenly conscious of the honour shown to me and I shall spare no efforts to emulate the high standards set by my distinguished predecessors in this office. I take this opportunity of recording my high appreciation of the valuable services rendered by Mr A K Sen as Chairman of the Company from 1 December 1971 to 31 March 1974.

The year under review was probably the most difficult year for the country since its Independence. The adverse effects of the shortfall in food production was intensified by inadequacies of the distribution system made worse by hoarding and profiteering. The widespread distress in many parts of the country affected by floods and drought has been unparalleled in its recent history. There was no slackening of the inflationary pressures, even though controlling inflation was recognised to be the single most important task facing the country. The wholesale price index at the end of the year was about 30 per cent higher than it was at the end of last year. The shortfall in production—both in the agricultural and the industrial sectors—left unsatisfied demands which offered scope for the play of vast sums of unaccounted money in the economy. The full impact of the package of anti-inflationary measures introduced by the Government since July 1974 is yet to be fully assessed although the trends during the last few weeks suggest that there is at long last some slackening in the inflationary pressures.

Industrial production during the year was extremely disappointing despite the improved performance of some of the public sector undertakings as also the Government's recent emphasis on full utilisation of installed capacities. Severe shortages of power and certain critical raw materials, the impact of the world oil crisis, transport bottlenecks, credit constraints and industrial unrest were the main contributory factors. With agricultural production also registering a downward trend, the economy as a whole showed all the features of a severe crisis. In this otherwise gloomy outlook, the only silver lining was the increase in the country's exports.

On the political front, developments in Gujarat and Bihar posed a threat to the stability that had emerged after the last elections. Intra-party rivalries within the ruling party, particularly at the State level, also weakened the administration adding to the difficulties faced by industry and commerce. Fortunately, at the Central level there has been greater cohesion and a sense of direction.

The performance of the Company during the year under review has to be considered against this background.

SALES

The Company's turnover for the year at Rs 32.57 crores exceeded the previous year's turnover by 26.9%. Volumetrically, sales of gas welding and electric welding equipment and consumables registered some advance, but sales of industrial gases and a few other products were generally lower than during the previous year, mainly due to shortages of certain vital inputs and a number of other constraints.

The acute shortage of power in many parts of the country was the most important single factor inhibiting production at the Company's industrial gases, electrode and equipment factories. A shortage of steel affected the production of electrodes during the earlier part of the year and that of calcium carbide intermittently affected the production of dissolved acetylene, except during the last quarter. Manufacturing activities of many of the Company's customers suffered set-backs due to the shortages of power and industrial raw materials thereby lowering their consumption of the Company's products. Political unrest and agitation in some parts of the country also affected industrial activity. The sales turnover from the plant manufacturing activity more than doubled during the year: it would have been still higher if we had been able to obtain more high pressure air compressors, which currently have to be imported and which are an integral part of air separation plants. These compressors were to be manufactured in India by a public sector company and according to the original plans there should not have been any cause for anxiety about their availability. Unfortunately, it is difficult to foresee even now when the indigenously manufactured high pressure air compressors will be available : it is hoped that the company concerned will take urgent steps to implement the project so that other undertakings are not prevented, for want of air compressors, from utilising fully their installed manufacturing capacities.

Export sales recorded a more than three-fold increase over the previous year. This has enabled us to obtain recognition from the Government as an Export House for engineering goods and chemical and allied products. The Company's own products remained the major source of export revenue, although there was some improvement in the export of other products as well.

PROFIT, TAXATION AND DIVIDEND

The profit for the year, after providing depreciation of Rs 89,42,000 (previous year Rs 87,93,000) amounted to Rs 2,96,71,300 as against Rs 2,75,08,241 last year. A sharp increase in operating costs due to the severe inflationary pressures in the economy and rise in interest charges affected the Company's profits during the year. The profit increase, therefore, was not in line with the sales advance.

Tax provision for the year amounted to Rs 1,67,00,000 (previous year Rs 1,83,00,000) leaving a net profit of Rs 1,29,71,300 as against Rs 92,08,241 last year. After transferring Rs 13,00,000 (previous year Rs 8,00,000) to Development Rebate Reserve and bringing back from this account Rs 5,00,000 (previous year Rs 10,00,000) now released, the amount available for appropriation was Rs 1,21,71,300 which has been transferred to General Reserve (previous year Rs 94,08,241).

Your directors have decided to recommend payment of dividend out of General Reserve at the rate of 6%, subject to deduction of tax. This dividend is within the limit of "distributable profit" of the Company for the year ended 30 September 1974 as defined in the Companies (Temporary Restrictions on Dividends) Act, 1974. For determining the "distributable profit" the actual tax estimated to be payable under the Income Tax Act 1961 has been taken into consideration.

FINANCE

A further amount of Rs 4,68,234 was repaid to the British Oxygen Company Limited (BOC) against the loan granted by them leaving a balance of Rs 23,41,169 at the end of the year.

The overdraft facilities which were enhanced to Rs 300 lakhs on a consortium basis from Punjab National Bank, The Chartered Bank and National & Grindlays Bank Ltd in 1972 were almost fully utilised during the year to meet the additional requirements of working capital due to the steep rise in prices of materials and other costs and increased activities particularly in plant manufacture.

DEVELOPMENT AND EXPANSION

In his Statement last year, Mr A K Sen referred to the Company's collaboration agreement with Cryoplants Limited, London, for acquiring technical know-how for the manufacture of low pressure tonnage air separation plants and nitrogen generators. The Company's application for approval of this agreement is still under the consideration of the Government; I sincerely hope that the Government will not delay further and will give a decision shortly.

The Government approved during the year the Company's technical collaboration agreement with Saccab SPA, Milan, for the manufacture in India of oxygen tents. The approval is subject to an export obligation for a period of five years—a condition that we have accepted. These products should be available to the market during the last quarter of 1975.

It has been our endeavour for some time to manufacture within the limitations of our existing industrial licence capacities new products of sophisticated technology. During the year under review we were able to achieve some measure of success and we introduced the Cheetah cutting machine, MIG 400 semi-automatic welding set and Cobalarc electrodes. The Cheetah is a low cost portable straight line cutting machine with a circle cutting attachment and incorporates for the first time in India a solid state control device : it has been well received in fabrication workshops. The MIG 400 is a semi-automatic metal inert gas welding set which can also be used for stainless steel and aluminium welding : this set should prove to be of immense value in large fabrication works. Cobalarc electrodes, manufactured under a technical collaboration agreement with Murex Pty Ltd of Australia, are used for hardfacing of machine parts and for re-conditioning of machines, thereby prolonging their effective life. This will defer replacements of machines and machine parts : the use of these electrodes will thus contribute also towards saving of the country's foreign exchange resources so far as imported machines and machine parts are concerned.

In his Statement last year, Mr A K Sen mentioned that certain projects for diversification and development of the Company's activities were under detailed study. This study was completed in close collaboration with specialists from BOC and in June 1974 we submitted an industrial licence application which is now under the Government's consideration. The project, to be located in a notified backward area, is quite unconnected with the current range of the Company's manufacture, involves the use of sophisticated technology, is heavily export-oriented and offers substantial additional employment opportunities. Its implementation will bring about a considerable dilution in the foreign equity holding in the Company. The project fulfils all the major policy requirements of the Government for growth of foreign-controlled companies and we hope that it will be approved by the Government at an early date. I should like to add that the capital outlay for the project will be large; its success will depend on the satisfactory response to the substantial fresh issue of equity shares and timely availability of loan finance. The details of these arrangements cannot obviously be determined until after the Government approval of the project is received : these are under our consideration and I would like to assure all shareholders that their interests will be kept fully in view in these matters.

The Company's recognition as an Export House, referred to earlier, opens up new opportunities and we are indeed fortunate that we can rely on the support of the world-wide BOC Group in our export activities.

MANAGEMENT AND PERSONNEL

Industrial relations in the Company remained generally satisfactory throughout the year. In March 1974, a settlement was signed with the recognised Federation of the employees' unions ; in addition to revising pay scales for the non-management staff, the settlement spelt out – for the first time – the respective rights and responsibilities of the management and the trade unions and laid down the principles governing their relationship. A settlement was also signed with the Federation in the same month regarding payment of bonus for the year 1972/73. Similar settlements were subsequently signed at some of the units with the recognised unions which were not represented by the Federation. Following these settlements there were signs at several units of encouraging co-operation of employees and their representatives in implementing measures calculated to improve the Company's operations. However, much ground remains to be covered and I look forward to greater participation by the employees and their representatives in our efforts to increase production, improve productivity and bring about a harmonious working relationship which will enable the Company to exploit fully its varied resources in the interest of the country's industrial growth.

The management development plan has recently been reviewed in the light of our experience since its introduction in 1967 to make it more effective for the Company's requirements. Before giving effect to the revised plan it was widely discussed with the management staff at seminars held at several locations : the enthusiasm generated at these seminars augurs well for the success of the revised plan which seeks to develop managers at all levels of the Company to cope with the ever-increasing responsibilities being placed on them.

I would like to take this opportunity to commend and thank all those employees, management and non-management, whose sincere efforts enabled the Company to carry on satisfactorily its activities during the year, often in difficult conditions.

Mr A K Mukerji, wholetime director, retired on 1 April 1974 after a long period of service. I would like to record our appreciation of his contributions to the Company which were valuable in many ways.

PROSPECTS

In his Statement last year, Mr A K Sen referred to the impact of the Foreign Exchange Regulation Act, 1973 on the Company and others similarly situated, in which non-resident interest is more than forty per cent. Our applications for the various approvals necessary under the Act have been submitted to The Reserve Bank of India. The Company fulfils the criteria laid down by the Government of India in the guidelines for administering Section 29 of the Act and it is hoped that the Company's activities will not be subjected to fresh constraints.

As already stated, certain shortages hindered the Company's production and caused a slackening of the customer demand during the year under review. If the Company's operations are not similarly impeded and there is no set-back in the customer demand, the prospects in the immediate future are satisfactory. The long term outlook depends upon the Government's response to our diversification project : if the Company is allowed to implement it, our contribution to the country's industrial growth will be commensurate with our resources, strengthened by our links with a large international group possessing advanced technologies in various fields.

My assessment of the Company's future prospects is based on the assumption that the country will overcome its current economic difficulties and that the curve of industrial growth which has tended to flatten out in recent years will again begin to move upward. I also hope that in the political sphere timely corrective measures will be taken to ensure that the factors that are impairing administrative efficiency are removed and to restore throughout the country a climate conducive to rapid economic development.

K HARTLEY
28 November 1974 CHAIRMAN

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

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RECORDS AND STATISTICS

Oil Facility

The Interim Committee of the Board of Governors of the Fund held its second meeting on January 15-16 in Washington and decided to continue the Fund's oil facility for 1975 and enlarge it to more than SDR 5 billion to help members alleviate their present very large balance of payments disequilibria. The Committee agreed on a major increase in the Fund's resources through an increase in members' quotas, and provided guidance for the Executive Directors to assist them in drafting amendments of the Articles of Agreement that are being considered as part of the reform of the international monetary system. Among the amendments, progress was made in establishing new understandings about official transactions in gold, including the abolition of the official price and ending the requirement that members pay a portion of their quotas in gold.

At the conclusion of the meeting, a communique was issued and Chairman John N. Turner, Minister of Finance of Canada, and Managing Director H. Johannes Witteveen conducted a briefing for the press.

The Executive Directors of the Fund can now carry out the extension and enlargement of the oil facility, as well as the establishment of a special account approved by the Interim Committee to be financed from contributions of members to assist the most seriously affected nations with the interest payments on their oil facility drawings. The quota increase and the amendments of the Articles of Agreement, however, need further work by the Executive Board. Recommendations on these two subjects might be examined by the Interim Committee at its third meeting, to be held in Paris in early June, but the proposals will require the approval of the Board of Governors, either by mail ballot or at the next Annual Meeting, in Washington September 1-5, 1975. Finally, legislative ratification will be required in many member countries before either quota increases or amendments can take effect.

OECD "Safety Net"

In a separate action that was related to the decisions of the Interim Committee, ministers and central bank governors of the Group of 10 industrial countries that participate in the Fund's General Arrangements to Borrow (GAB) agreed that a "solidarity fund, a new financial support arrangement" open to the 24 members of the Organization for Economic Cooperation and Development (OECD) should be established as soon as possible for a two-year period. This "safety net, to be used as a last resort" is to be established on the basis of quotas totalling approximately $25 billion. The negotiators recommended the establishment of an ad hoc OECD Working Group to prepare a draft agreement with a view to submitting it to the OECD Council for approval by the end of February 1975, in time for the proposed conference in March of oil consuming and oil exporting countries.

The ministers and governors of the Group of 10 reached their agreement in sessions on January 14 and 16 conducted by their chairman, Masayoshi Ohira, Finance Minister of Japan; a communique issued following the second session was discussed at a press briefing by Mr. Ohira.

In the press briefing on the Interim Committee's work, Mr. Turner said the decisions would "reinforce business confidence around the world, and reinforce the confidence of governments." The most encouraging thing to him was the "evidence of cooperation among the nations of the world to deal on a joint basis with a difficult global economic situation." Together, the decisions of the new Interim Committee, whose 20 members are chosen from the entire membership of 126 countries in the Fund, and of the Group of 10, represent "sigificant progress in assuring world economic stability," Mr. Turner said.

Development Committee

The special concerns of developing countries were considered by the Development Committee, the joint ministerial committee of the Governors of the World Bank and the Fund, which held its second meeting on January 17 under the chairmanship of Henri Konan Bedie, Minister of Finance and Economy of the Ivory Coast. Its conclusions were described in a communique and discussed in a press briefing by Mr. Konan Bedie and the Executive Secretary, Henry J. Costanzo. The Development Committee welcomed the Interim Committee's action favouring the creation of a special account in the Fund to help the most seriously affected nations with interest payments on oil facility drawings, and asked the Executive Directors of the World Bank and the Fund to consider the desirability of creating a special trust fund to provide additional highly concessional resources to help these countries deal with the problems foreseen in the period immediately ahead.

Earlier in the week, the ministers of the Group of 24 developing countries met for two days, and issued a communique at the conclusion of their session on January 16, which was discussed in a press briefing by the chairman, N.M. Perera, Minister of Finance of Sri Lanka.

Interim Committee Actions

The issues before the Interim Committee were a complex mixture of short-term and longer-term questions, requiring inter-related solutions. In its inaugural meeting October 3, 1974, the Interim Committee had asked the Executive Directors, as a matter of urgency, to consider the adequacy of existing private and official arrangements for recycling payments or oil, and also singled out for discussion, on a priority basis, the adjustment process, quotas in the Fund, and amendments of the Fund's Articles of Agreement. This program of work established the Executive Board's priorities for the period since the Annual Meeting, and set the framework for the Interim Committee's discussions. Among its conclusions on January 15-16, the Interim Committee decided that:

- the Fund's oil facility will be continued for 1975 and enlarged to SDR 5 billion, plus any amount unused from the 1974 oil facility of SDR 3 billion when drawing under it have been completed. Members had used about SDR 1.8 billion under the 1974 oil facility through January 15, 1975 (Press Release No. 75/1) but the Fund will receive requests for purchases under it until February 28, 1975. Operation of the oil facility will be kept under constant review for any further action that might be necessary.

- a special account should be established, as suggested by the Managing Director, with appropriate contributions from oil exporting and industrial countries, and possibly by others capable of making them. The special account will be used to reduce the burden of interest payments on oil facility drawings for the most seriously affected countries.

- the size of the Fund should be increased by 32.5 per cent ugh an increase in mem- s' quotas to SDR 39 bil- , and the quotas of the or oil exporting countries group should be doubled, le the share of otherd evelo- g countries, taken together, uld not be reduced. These ommendations would be ried out in the Sixth General view of Quotas, which is w under way in the Execu- e Board. The Executive ard began the review in ril in accordance with the quirement of the Articles of reement that one be con- cted no less frequently than ery five years. The Interim mmittee called for the next view within three years.

the Executive Board should ntinue with its work on nendments of the Articles Agreement and submit its afts to the Interim Commi- e as soon as possible. Among e subjects listed to be covered re the transformation of the visory Interim Committee o a permanent decision- aking Council, improvements the Fund's general Account, d in the characteristics of the R, future arrangements for ld, and other amendments signed to achieve progress ward the reformed monetary stem envisioned in the Out- e of Reform prepared by the mmittee of 20.

lew Mechanisms to Assure Vorld Economic Stability

ress Communique of the iterim Committee of the Board Governors on the Interna- onal Monetary System)

1. The Interim Committee of ie International Monetary und held its second meeting Washington, D.C. on Janu- y 15 and 16, 1975, Mr. John . Turner, Minister of Finance f Canada, was in the chair. Ir. H. Johannes Witteveen, lanaging Director of the nternational Monetary Fund, articipated in the meeting. he following observers atten- led during the Committee's dis- ussions of the matters re- erred to in paragraphs 2, 3, nd 4 below: Mr. Henri Konan edie, Chairman, Bank/Fund Development Committee; Mr. Gamani Corea, Secretary-General, UNCTAD (United Nations Conference on Trade and Development); Mr. Wilhelm Haferkamp, Vice-President, EC (European Community) Commission; Mr. Mahjoob A. Hassanain, Chief, Economics Department, OPEC (Organization of Petroleum Exporting Countries); Mr. Rene Larre, General Manager, BIS (Bank for International Settlements); Mr. Emile van Lennep, Secretary-General, OECD (Organization for Economic Cooperation and Development); Mr. Olivier Long, Director General, GATT (General Agreement on Tariffs and Trade); Mr. Robert S. McNamara, President, World Bank.

2. The Committee discussed the world economic outlook and against this background the international adjustment process. Great concern was expressed about the depth and duration of the present recessionary conditions. It was urged that anti-recessionary policies should be pursued while continuing to combat inflation, particularly by countries in a relatively strong balance of payments position. It was observed that very large disequilibria persist not only between major oil exporting countries as a group and all other countries, but also among countries in the latter group, particularly between industrial and primary producing countries. Anxiety was also voiced that adequate financing might not become available to cover the very large aggregate current account deficits, of the order of US$30 billion, in prospect for the developing countries other than major oil exporters in 1975.

3. The Committee agreed that the oil facility should be continued for 1975 on an enlarged basis. They urged the Managing Director to undertake as soon as possible discussions with major oil exporting members of the Fund, and with other members in strong reserve and payments positions, on loans by them for the purpose of financing the facility. The Committee agreed on a figure of SDR 5 billion as the total of loans to be sought for this purpose. It was also agreed that any unused portion of the loans negotiated in 1974 should be available in 1975. The Committee agreed that in view of the uncertainties inherent in present world economic conditions, it was necessary to keep the operation of the oil facility under constant review so as to be able to take whatever further action might be necessary in the best interests of the international community. It was also understood that during the coming months it would be useful to review the policies, practices, and resources of the Fund since it would be appropriate to make increased use of the Fund's ordinary holdings of currency to meet the needs of members that were encountering difficulties.

4. The Committee emphasized the need for decisive action to help the most seriously affected developing countries. In connection with the oil facility, the Committee fully endorsed the recommendation of the Managing Director that a Special Account should be established with appropriate contributions by oil exporting and industrial countries, and possibly by other members capable of contributing, and that the Fund should administer this account in order to reduce for the most seriously affected members the burden of interest payable by them under the oil facility.

5. The Committee considered questions relating to the sixth general review of the quotas of members, which is now under way, and agreed, subject to satisfactory amendment of the Articles, that the total of present quotas should be increased by 32.5 per cent and rounded up to SDR 39 billion. It was understood that the period for the next general review of quotas would be reduced from five years to three years. The Committee also agreed that the quotas of the major oil exporters should be substantially increased by doubling their share as a group in the enlarged Fund, and that the collective share of all other developing countries should not be allowed to fall below its present level. There was a consensus that because an important purpose of increases in quotas was strengthening the Fund's liquidity, arrangements should be made under which all the Fund's holdings of currency would be usable in accordance with its policies. The Committee invited the Executive Directors to examine quotas on the basis of the foregoing understandings,

Oil Facility Purchases

Four member countries of the Fund have made purchases under the Fund's oil facility totalling the equivalent of SDR 80.829 million in the period 1 to 15 January 1975. The countries and the amounts, expressed in SDRs, of their purchases are:

Greece	**SDR 56,930,000**
Malagasy Republic	**7,780,000**
Senegal	**15,525,000**
Sierra Leone	**594,000**

Including the latest transactions, purchases under the oil facility, since it was established on June 13, 1974, have been made by 34 member countries in amounts totalling the equivalent of SDR 1,796.647 million.

Three of the countries listed above have previously made purchases under the Fund's oil facility, Including the latest transactions, the purchases of Greece total SDR 93.15 million, of Malagasy Republic SDR 11.23 million, and of Sierra Leone SDR 4.914 million.

and to make specific recommendations as promptly as possible on increases in the quotas of individual member countries.

6.1. The Committee considered the question of amendment of the Articles of Agreement of the Fund. It was agreed that the Executive Directors should be asked to continue their work on this subject and, as soon as possible, submit for consideration by the Committee draft amendments on the following subjects:

(a) The transformation of the Interim Committee into a permanent Council at an appropriate time, in which each member would be able to cast the votes of the countries in his constituency separately. The Council would have decision-making authority under powers delegated to it by the Board of Governors.

(b) Improvements in the General Account, which would include (i) elimination of the obligation of member countries to use gold to make such payments to the Fund as quota subscriptions and repurchases and the determination of the media of payment, which the Executive Directors would study, and (ii) arrangements to ensure that the Fund's holdings of all currencies would be usable in its operations under satisfactory safeguards for all members.

(c) Improvements in the characteristics of the SDR designed to promote the objective of making it the principal reserve asset of the international monetary system.

(d) Provision for stable but adjustable par values and the floating of currencies in particular situations, subject to appropriate rules and surveillance of the Fund, in accordance with the Outline of Reform.

II. The Committee also discussed a possible amendment that would establish a link between allocations of SDRs and development finance, but there continues to be a diversity of views on this matter. It was agreed to keep the matter under active study, but at the same time to consider other ways for increasing the transfer of real resources to developing countries.

7. The Committee also agreed that the Executive Directors should be asked to consider possible improvements in the Fund's facilities on the compensatory financing of export fluctuations and the stabilization of prices of primary products and to study the possibility of an amendment of the Articles of Agreement that would permit the Fund to provide assistance directly to international buffer stocks of primary products.

8. There was an intensive discussion of future arrangements for gold. The Committee reaffirmed that steps should be taken as soon as possible to give the special drawing right the central place in the international monetary system. It was generally agreed that the official price for gold should be abolished and obligatory payments of gold by member countries to the Fund should be eliminated. Much progress was made in moving toward a complete set of agreed amendments on gold, including the abolition of the official price and freedom for national monetary authorities, to enter into gold transactions under certain specific arrangements, outside the Articles of the Fund, entered into between national monetary authorities in order to ensure that the role of gold in the international monetary system would be gradually reduced. It is expected that after further study by the Executive Directors, in which the interests of all member countries would be taken into account, full agreement can be reached in the near future so that it would be possible to combine these amendments with the package of amendments as described in paragraphs 6 and 7 above.

9. The Committee agreed to meet again in the early part of June 1975 in Paris, France.

Bolster World Business Confidence

Following are excerpts from an introductory statement by John N. Turner, Minister of Finance of Canada, at a press conference on January 16 at Fund headquarters conducted by him and Managing Director H. Johannes Witteveen.

I think that what happened today, both in the International Monetary Fund Interim Committe and in the Group of 10, represents significant progress in assuring world economic stability. Two new facilities, or financial mechanisms, were established to deal with the pressures caused by imbalance of payments in massive amounts provoked by the rise in oil prices over the last 18 months.

There is, of course, the safety net, or solidarity fund, ...a potential fund of $25 billion, and which must be undertaken in its borrowing and contributing side among the industrial nations of the world. And now out of the International Monetary Fund the Interim Committee has authorized an extension into 1975 of a new oil facility in the amount of 5 billion special drawing rights, or approximately 6.4 billion dollars at today's rate.

The Communique sets out the details.

I think that this action by the body representing 126 nations will reinforce business confidence around the world, and reinforce the confidence of governments. The most encouraging thing, as far as I am concerned, is that it was evidence of cooperation among the nations of the world to deal on a joint basis with a difficult global economic situation. The risks were there, and I think the risks have been minimized considerably as a result of today's action. And we have also minimized the temptation of unilateral national action on the part of countries that might otherwise have wanted to protect their own balance of payments situation, or to compensate for their own deficit position, by artificial devaluations or trade restrictions, or monetary restrictions. So I am very encouraged by what happened today...

The purpose of this Interim Committee, which eventually I hope will become the permanent Council of the International Monetary Fund, is to add political direction on behalf of the nations of the world to this international institution

Need For More Emphasis on Antirecession Policies

Following are excerpts from introductory remarks of Mr Witteveen at the press con ference conducted by him and Chairman Turner following th January 16 session of the In terim Committee:

Let me start by saying that also am very much encourage by the positive results of thi important meeting. The worl faces a difficult situation, an we need cooperation amon our member countries an effective action to overcom these difficulties. And I a convinced that the decisior that have been taken toda under your effective leadershi Mr. Chairman, will contribu very much to overcome the difficulties.

If I may follow the differe points in the Communiqu giving some brief explanatio

We have a discussion of t world economic situation the basis of a very detailed a penetrating report by the sta of the Fund on the Wor Economic Outlook that w discussed previously in t Executive Board. On the bas of that detailed report, anal zing the whole situation and t discussion in the Board, prepared a short paper for t Ministers; and that paper w the basis for some conclusio that you find here in the Co munique.

There was general supp for the conclusion in this rep that in the present situati there should be more empha on anti-recessionary policies neral; at the same time, the nalysis in the Fund report akes it very clear that there ontinue to be very large imalances in international payents not only between the roup of the oil exporting ountries and oil consuming ountries, but .. between diffeent industrial countries and .. developing countries, and also) the more developed prinary-producing countries. This, of course, must ave its influence in the way n which policies to combat ecession and inflation are ursued.

It is clear that countries in a elatively strong balance of ayments position can, and, in he present situation, should go urther in anti-recession policies; while countries in a weaker ituation should put more emphasis on measures that could hift resources from internal se to exports.

That is the general approach to the situation and the current problems of economic policy.

Apart from that, the Committee was struck by the increasing current account deficits of the developing countries as a group, which are, of course, partly a consequence of the recessionary tendencies in industrial countries. We expect the current account deficit for the developing countries as a whole — apart, of course, from the oil producing countries — to be about $30 billion, which is, of course, an enormous amount. Last year, it was something like $22-$23 billion, which was already a very serious problem. So, there was concern in the Committee on the possibilities of financing this; and concern for the developing countries has come up in connection with other different items on our agenda.

In the first place, one of the most important issues then was of course, the role of the Fund in the recycling of surpluses of oil-producing countries to oil consuming countries. Here, a decision was taken to support the proposals that have been worked out in the Executive Board to continue the oil facility in this year with some adjustments in the formula, which determines access of individual countries to the facility; adjustments which, in general, reduce somewhat the weight in the formula of additional costs of oil imports, and which increase the weight of quota of different countries. So that is a first move away from the concept of the oil deficit to the normal criterion for Fund transactions...

We decided that we will arrange borrowings from oil producing countries, and from other surplus countries who are in a position to help in financing this facility. We agreed to arrange for borrowings to the amount of SDR 5 billion. We also agreed that the amount that will probably be left over from the borrowings of the year can also be used to finance the cotinuation of the oil facility; that is, the amount left over from last year can be used also in this year.

As you know, we made borrowing arrangements last year for a little more than SDR 3 billion, about $3.6 billion. Of that amount we have now used approximately SDR 2 billion. So that somewhat more than SDR 1 billion is still left. But I have to add that we still expect a number of requests by different member countries to draw on the facility for 1974 in connection with their oil deficits of last year.

So we will not have SDR 1 billion left over. It is very difficult to say exactly how much will be left. It may go

Communique of the Ministerial Meetings of the Group 10

1. The Ministers and Central Bank Governors of the ten countries participating in the General Arrangements to Borrow met in Washington on the 14th and 16th of January, 1975, under the Chairmanship of Mr. Masayoshi Ohira, Minister of Finance of Japan.

The Managing Director of the International Monetary Fund, Mr. H.J. Witteveen, took part in the meetings, which were also attended by the President of the Swiss National Bank, Mr. F. Leutwiler, the Secretary-General of the Organisation for Economic Cooperation and Development (OECD), Mr. E. van Lennep, the General Manager of the Bank for International Settlements, Mr. R. Larre, and the the Vice-President of the Commission of European Economic Community, Mr. W. Haferkamp.

2. After hearing a report from the Chairman of their Deputies, Mr. Rinaldo Ossola, the Ministers and Governors agreed that a solidarity fund, a new financial support arrangement, open to all members of the OECD, should be established at the earliest possible date, for a period of two years. Each paticipant will have a quota which will serve to determine its obligations and borrowing rights and its relative weight for voting purposes. The distribution of quotas will be based mainly on GNP and foreign trade. The total of all paticipants' quotas will be approximately $ 25 billion.

3. The aim of this arrangement is to support the determination of participating countries to pursue appropriate domestic and international economic policies, including cooperative policies to encourage the increased production and conservation of energy. It was agreed that this arrangement will be a safety net, to be used as a last resort. Participants requesting loans under the new arrangement will be required to show that they are encountering serious balance of payments difficulties and are making the fullest appropriate use of their own reserves and of resources available to them through other channels. All loans made through this arrangement will be subject to appropriate economic policy conditions. It was also agreed that all participants will jointly share the default risks on loans under the arrangement in proportion to, and up to the limits of, their quotas.

4. In response to a request by a participant for a loan, the other participants will take a decision, by a two-thirds majority, on the granting of the loan and its terms and conditions, in the case of loans up to the quota, and as to whether, for balance of payments reasons, any country should not be required to make a direct contribution in the case of any loan. The granting of a loan in excess of the quota and up to 200 per cent of the quota will require a very strong majority and beyond that will require a unanimous decision. If one or more participants are not required to contribute to the financing of a loan, the requirements for approval of the loan must also be met with respect to the contributing participants.

5. Further work is needed to determine financing methods. These might include direct contributions and/or joint borrowing in capital markets. Until the full establishment of the new arrangements, there might also be temporary financing through credit arrangements between central banks.

6. Ministers and Governors agreed to recommend the immediate establishment of an ad hoc OECD Working Group, with representatives from all interested OECD countries, to prepare a draft agreement in line with the above principles. In their view this work should be concluded in time to permit approval by the OECD Council by the end of February, 1975.

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own to perhaps something like alf a billion SDR, but it is till uncertain. In any case, vhat will be left over we can lso use this year.

Of course, we do not know vhether with this amount vailable we can finance the lrawings under the oil facility ınder the adjusted formula over the whole of this year. There is uncertainly, of course, about a number of countries with a balance of payments need that will wish to use the facility and about the extent of this balance of payments need. But as you know, in he past year our experience has been that the actual drawings on the facility were smaller han we initially expected, and hat, in fact, we will have a ertain amount which will be eft over.

So it is not at all impossible hat this amount would be ufficient. But we will keep, as ou see in the Communique, ve will keep the operation of he facility under constant review — as we, in fact, have also lone last year — following arefully the way that the drawngs on the facility devlop. hus we can keep them within his amount, and supposing is exhausted, then, we can ee what further measures to ake.

There are, of course, diffeent possibilities: we could use ome of our own resources; ve could borrow more; we ould change the formula. hat is left for consideration uring this review.

Finally you find, in this pararaph in the Communique, hat we will also review in eneral the policies, practices, nd resources of the Fund, beause there is agreement that e should, in the present sitution, do all that is possible to ake the Fund useful, and to elp our member countries the difficulties they experiice.

Now there is a new element the oil facility for this year, e that I consider of great imrtance. You see that in the urth paragraph of the Communique. It is, that we have reached agreement to do something this year for the group of most seriously affected developing countries. There was already a feeling during the Annual Meeting, as you know, that we should do something to lighten the interest burden for these countries when they use the oil facility. We have now reached agreement that we will do this in this year by establishing a Special Account, through which our member countries will give contributions, and that we will use it in order to make life a little easier for this group of countries which experienced such very serious difficulties.

It has been agreed that both the oil exporting countries and the industrial countries should contribute to this Special Account in a fair way. There is also the possibility of other members contributing. I think there was a very positive attitude in this respect, in both groups of countries. Also, I think it is a good thing that we avoided any rigidity in this approach. So that I am very hopeful that we can succeed in bringing this about; and I think that will be very practical and effective help to this group of countries. Let me add that we expect that the amount this group of countries will draw under the oil facility will be something of the order of SDR 1¼ billion. On that amount, we hope to reduce the interest burden substantially.

The Committee then moved to a second important subject: the increase in quota. You know that we have been working for quite some time on the review of quotas. And I must say that I am very encouraged that we reached agreement on some of the most important characteristics of this review. Although the positions were still rather far apart when our meeting started, we have now reached agreement on the total amount — the total size of the increase in quotas; and on some important aspects of the distribution, i.e., the doubling of the share of the major oil producers, and maintaining the share of the other developing countries. And, also, there was agreement on the need to ensure that the Fund's holdings of currency will be usable in accordance with our policies. That is something that we now agree should go with this increase in quota, and that makes this quota increase even more important. It means that, if this is brought about, some currencies which at present we cannot use, but which we already have, we will be able to use soon when this quota increase is agreed. Among these currencies are those of a number of oil producing countries — so that is especially useful. Of course, this still has to be worked out. In connection with the quota increase, I will make it clear that the Executive Board still has a difficult task to work this out; to come to a decision on increases for individual countries. This distribution is always a difficult aspect. But now it will be especially difficult, because, clearly, the share of the industrial countries as a group will be substantially reduced. And, of course, it is always more difficult to distribute a reduction than to distribute an increase. But we are, of course, hopeful that this will be brought about.

Finally, we had, I think, a very fruitful discussion of the subject of amendments to the Articles of Agreement. This is a very complicated, technical subject, but the Committee has now decided on a number of guidelines which will help the Executive Board very much in working out draft agreements, which we then hope will be considered in the next meeting of the Committee and on which an advice of the Committee of the Board on Governors can by then be formulated.

You will find in the Communique what subjects the Committee now wishes the Board to work out. There is the amendment of the Council the amendment on improvements in the General Account, where we have, in the first place, the essential subject of eliminating the obligation of member countries to pay 25 per cent of their quota increase in gold at the official price, which, of course, is not possible at the moment. And we will then also bring into the Articles of Agreement as I have mentioned already, an arrangement so that all currencies will in future be usable under the Fund's policies. And, of course, besides that there are a number of other improvements in the General Account that we believe will make it possible for the Fund to function more efficiently.

Then these is agreement that improvement in the characteristics of special drawing rights have to be worked out. And there, we have to work out amendments, as you see here, to provide for stable but adjustable par values and for floating in particular situations — floating is not in our present Articles of Agreement and we have to revise the Articles to open up that possibility.

We, of course, discussed again the subject of the link. You will see here that we have now agreed that there are such differences on this subject that, although we will continue to study it, we do not expect that it will have its place in the group of amendments that we hope to bring to the Interim Committee at the next meeting and that we hope will be adopted. But we will also study other possibilities for the transfer of real resources.

Then in paragraph 7 there is quite an interesting new subject. The Board is asked to study the functioning of our compensatory financing facility and of our buffer stock facility I think this could be a very useful study. Of course, the philosophy behind this is that we should not only take into account fluctuations in export prices with respect to the compensatory financing arrangements but also in some way consider import prices, or the general development of the price level; and this could be very important for a number of primary producing countries.

Finally, you see that there

was a discussion of the difficult but important subject of gold. There is already some agreement, as you see here, on abolishing the official price for gold and obligatory payments of gold to the Fund by member countries. There was much progress in discussion of a complete set of the amendments to the Articles that would be necessary to bring about this abolishing of the official price and, connected with that, to give freedom to central banks to enter into transactions with each other in gold, but with certain arrangements in order to ensure that the purpose we all agree on — that gold should gradually be removed from the system — shall in fact be realized. We have to study this further. It will certainly still be a difficult study, but we have received guidance and I think we can have very fruitful discussions in the Board in the next few months on this important subject.

New Facilities Can Cushion Oil Price Shock

Following are excerpts from the press conference conducted by Mr. Turner and Mr. Witteveen:

QUESTION: With the existence of the safety net, will there be a tendency to put the needs of the developing countries ahead of perhaps the needs of some of the OECD countries in obtaining help under the $6 billion?

MR. TURNER: I'll let the Managing Director speak to that, except that I'll say two things: First of all, the safety net is a safety net. It's a vehicle of last resort. Secondly, it's against the practice of the Fund to discriminate between member states in borrowing availability.

MR. WITTEVEEN: Well, I think these are indeed the main points, Mr. Chairman. This year, as last year, the facility will remain available for all our members which satisfy the formula and the balance of payments need, both developing and industrial countries. It is also of importance in this context that, as I understand it, arrangements for the safety net make it clear that that is something for use in last resort after the countries have first used the other possibilities to finance their deficits, and that includes, of course, drawings on the Fund.

MR. TURNER: I just remind members of the media here that the two facilities that were put in place today, or authorized today — one is a solidarity fund, or a safety net, umbrella, insurance arrangement by the industrial countries of the world; the other is International Monetary Fund facility. There is no theology of jurisdiction here so far as the International Monetary Fund is concerned. These are supplemental to and in guarantee of whatever recycling is done and can be done by the private financial institutions of the world, the banking systems of the world; bilateral deals between countries; investment of oil exporting countries in (oil consumer nations; whatever facility the European Common Market may jointly arrange by way of its own borrowing; whatever facilities OPEC may, on it own initiative, arrange; whatever recycling is done by way of foreign aid through the World Bank and other agencies on a regional basis. So that you've got to look at this in total context, and what we were trying to do as Ministers was to ensure the coordinating surveillance of the Fund over the total picture, and to ensure that the mechanisms in play, together, were sufficient to cushion the world against the shock of the oil price phenomenon.

QUESTION: Could you give an idea of the actual rate of concessional interest? Will it be 5 per cent or 2-2½ per cent? Also, what will be the size of the special account?

MR. WITTEVEEN: Of course, we have to see how large the contributions can be, but our aim will be to reduce the rate of interest on the oil facility by 5 per cent for this group of countries and then you can easily calculate what amount will be involved. Five per cent on SDR 1.3 billion, let us say, will be about SDR 65 million per year. And that will then have to become available over the period of the loan, which is on the average five years.

QUESTION: Did you say to 5 per cent or by 5 per cent?

MR. WITTEVEEN: No, by 5 per cent. That's our aim; we don't know whether we will completely realize that, but the aim is to reduce the rate of interest by 5 per cent, so if you borrow for, let us say, 7½, then we would reduce the rate of interest by contributions from this special account — reduce the effective burden to 2½ per cent.

MR TURNER: So, you're not reducing by 5 per cent; you're reducing five percentage figures from 7½ down to 2½.

QUESTION: A related question, Mr. Witteveen. Do you have reasonable assurance of lending facilities from the oil producing countries to meet the SDR 5 billion 1975 facility, and have you had any indication of interest by countries to contribute to the interest subsidy, the special account?

Mr. WITTEVEEN: Of course, that's an important question. We agreed at our last meeting during the

Membership of the Interim Committee and Participants in the Second Meeting

Hans Apel	Minister of Finance, Germany
Abdelkader Benslimane	Minister of Finance, Morocco
Emilio Colombo	Minister of the Treasury, Italy
D.H. Coore	Deputy Prime Minister and Minister of Finance, Jamaica
F.D. Crean	Minister for Overseas Trade, Australia
Willy De Clercq	Minister of Finance, Belgium
W.F. Duisenberg	Minister of Finance, the Netherlands
Fawzi El-Kaissi	Governor of the Central Bank, Iraq
Jean-Pierre Fourcade	Minister of Economy and Finance, France
Alfredo Gomez Morales	Minister of Economy, Argentina
Denis Healey	Chancellor of the Exchequer, United Kingdom
Roberto Incer B.	President, Banco Central de Nicaragua
Per Kleppe	Minister of Finance, Norway
Masayoshi Ohira	Minister of Finance, Japan
Sambwa Pida Nbagui	Governor, Banque du Zaire
represented by Alternate,	
Antoine W. Yameogo	*Executive Director of the Fund*
Alhaji Shehu Shagari	Nigeria
represented by Alternate,	
C.N. Isong	*Acting Federal Commissioner for Finance, Nigeria*
William E. Simon	Secretary of the Treasury, United States
Mario Henrique Simosen	Miniter of Finance, Brazil
C. Subramaniam	Minister of Finance, India
Ali Wardhana	Minister of Finance, Indonesia

nnual Meeting that we
first have to study the
em of recycling and that
uld bring an analysis and
sals to the meeting of the
m Committee that has
aken place and that nego-
ns to actually borrow for
purpose would take place
that. So that still has to
orked out. Nevertheless, I
ay that we of course have
some informal contacts
surplus countries and
have been encouraging,
at I am hopeful that we can
nge this amount of bor-
ng in the next few months.
respect to contributions
his interest account, we
received very positive —
tive, well, I can say in most
s, commitments by member
tries in the Interim Com-
ee to contribute to this
unt.

UESTION: In the much
ed January Foreign Affairs
le by Robert Roosa and
e other Trilateral Com-
ion members, they state
the international financial
tion is actually much
er than is generally ad-
ed and that if very com-
ensive supranational mea-
s aren't taken immediate-
hat the world will be fac-
the danger of various na-
al sectors declaring debt
atoria which Roosa and
friends equated with Com-
ist revolution. Now, in
of this fact and particu-
that the International
cus of Labur Committees
rganizing internationally
nd precisely such a pro-
me and that what you put
ard here is completely
equate in terms of what
Roosa said would be neces-
, how do you see the politi-
situation shaping up?

R. TURNER: I think I
earlier that the risks of
ateral action by nations in
nce of payments deficits
culty has now been mini-
d because of the facilities
were put in place today.
I think looking over the
amplitude of the other
ities that I described, both
e private and public sec-
that are now in place, that
risks that Dr. Roosa described have been immeasurably reduced. Now, as the Managing Director said, there is an ongoing surveillance responsibility in the Fund, and Ministers gave the Managing Director the authority to look over the full variety of resources available to him within the Fund and elsewhere.

QUESTION: This size of the expanded facility is much lower than most people had been suggesting. Is this smaller out of a feeling that not as much is needed as was suggested, out of a feeling that this may be adequate for six months or nine months and then can be extended if need be, or is it held to this level out of concern that more money may not be made available by the surplus countries?

MR. TURNER: Well, the amount of the facility is a result of negotiation. The terms of the decision call for a review to explore what other resources are available within the Fund itself, and call for a continued surveillance by the Fund. So that I would think that the amounts now in place will do the job. If, by the time we meet in June again we have to take another view, then we'll take another view. But at the moment it's $ 6 billion, or SDR 5 billion. There's an urgent call to the Executive Directors of the Fund to explore the other resources available to them within what they've already got from members' contributions, and of course we will be attempting to expand whatever other bilateral or multilateral facilities are available.

MR. WITTEVEEN: May I add to that that our estimate of what would be the probable use of this facility in the present year was a very wide margin between SDR 6 billion and SDR 12 billion. So the amount we have now decided on is very near — when we also take into account the available means leftover from last year, it's very near to the lower limit. And I think when we look at the experience of last year, it is quite possible that this will do the job, as you said, Mr. Chairman.

Moves to Ease Burden of Hardest Hit Members

Press Communique of the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries

1. The Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (the Development Committee) held its second meeting in Washington on January 17, 1975 under the Chairmanship of Mr. Henri Konan Bedie, Minister of Economy and Finance for the Ivory Coast. The meeting was held in the headquarters building of the Pan American Health Organization. Mr. Robert S. McNamara, President of the International Bank for Reconstruction and Development, and Mr. H. Johannes Witteveen, Managing Director of the International Monetary Fund, took part in the meeting, which was also attended by Mr. Abdel Wahab Labidi, President of the African Development Bank, Mr. Shiro Inoue, President of the Asian Development Bank, Mr. M.G. Mathur, Deputy Director-General of the GATT (General Agreement on Tariffs and Trade), Mr. Antonio Ortiz Mena, President of the Inter-American Development Bank, Mr. E. van Lennep, Secretary-General of the OECD (Organization for Economic Cooperation and Development), Mr. Maurice Williams, Chairman of the DAC (Development Assistance Committee), Mr. Mahjoob Hassanain, Director of the Economic Department of OPEC (Organization of Petroleum Exporting Countries), Mr. Gabriel van Laethem, Under Secretary-General of the United Nations and Dr. Raul Prebisch, Special Representative of the Secretary General for the United Nations Emergency Operation, Mr. Gamani Corea, Secretary-General of UNCTAD (United Nations Conference on Trade and Development), and Ambassador Paul Jolles of Switzerland.

2. The Committee received several reports presented by the Executive Secretary, Mr. Henry J. Costanzo, on the initial work programme adopted at the inaugural meeting, related to the situation of the most seriously affected developing countries, measures to adjust to the new outlook in commodity prices, and the future work programme of the Committee.

3. The members of the Committee engaged in a general exchange of views regarding the present situation and prospects of the developing countries. Members noted that many developing countries found themselves in serious difficulties as a result of substantial adverse changes in their terms of trade and an inadequate flow of external capital and were being forced to take adjustment measures in many cases harmful to their long-term economic and social development. The members recognized that this situation was likely to continue in the immediate future, and expressed their particular concern over the pressing difficulties in prospect for the poorest, and the most seriously affected of the developing counries.

The Committee agreed that the industrialised countries should seek to adopt such adjustment measures considered necessary in their circumstances in such a way as to avoid any reduction in the net flow of real resources to the developing countries, seeking to improve the conditions under which developing countries and international development finance institutions may have access to their capital markets, and to improve the real volume and the quality of official development assistance provided to the developing countries, and should avoid trade restrictions that could negatively affect developing countries' exports. The Committee also noted the importance of continued and expanded cooperation, particularly in the transfer of technology and management skills, between the industrialized and surplus oil producing countries, in order to promote the development of the latter countries and thereby to assist the overall long-range adjustment process and also in order to promote the development of other developing countries.

The Committee recognized the important and increasing flow of resources being made available by the surplus oil producing countries to the developing countries and to the international financial institutions. In welcoming such interest and participation on the part of these countries, the Committee agreed that these countries should seek to continue and expand this flow of resources, in accordance with their financial capacity to do so.

4. The Committee agreed that the situation of the most seriously affected countries requires urgent treatment, and that measures should be taken to cover the short-term requirements created by the present international situation. In this context, the Committee welcomed the action taken by the Interim Committee with respect to a continuation and expansion of an oil facility in the Fund and the establishment of a Special Account in order to reduce for the most seriously affected members the burden of interest payable by them. The Committee also reviewed several additional possible courses of action. It was agreed that the Executive Boards of the Bank and the Fund should be invited to study the desirability of creating a special trust fund that would provide, for the period immediately ahead, additional highly concessional resources to meet the requirements of the most seriously affected countries, and the possible modalities of such a fund.

5. The Committee invited the Executive Board of the Bank to undertake an immediate study of the concept of "third window" lending by the Bank on terms intermediate between those of the Bank's regular loans and those of IDA's (International Development Association) concessional credits. The Committee welcomed the willingness expressed by some members to support and to provide financial resources for such a facility.

6. For its immediate work programme, the Committee instructed the Secretariat to propose such measures as might be considered for early implementation to promote increased use of capital markets by developing countries, and to facilitate their access to such markets; to report to the Committee on an appropriate work programme in response to the conclusions of the recent World Food Conference on the financing of food, fertilizer, and food production; and to review the adequacy of existing information systems on the flow of resources to the developing countries.

7. The Committee also agreed that the future work of the Committee should focus on the basic long-term needs of the developing countries and, in this connection, welcomed the intention of the President of the Bank to initiate urgently a study of the capital requirements of developing countries to maintain a reasonable rate of growth in per capita income for the remainder of the decade. The Committee instructed the Executive Secretary to initiate a broad and continuing review of the question of the transfer of real resources, using as a basis the work of the Committee of 20 and taking into account the conclusions of the Bank's study, in order to formulate recommendations as to how the required transfers of real resources might be met through existing or new financial mechanisms and arrangements, including arrangements for commodity price stabilization. The Committee welcomed the study to be undertaken by the Executive Directors of the Fund, as agreed by the Interim Committee, on the fund's facilities for compensatory financing and assistance to international buffer stocks of primary products.

8. The Committee was glad to note the announcements made at the meeting of actions which permit the full effectiveness of the IDA fourth plenishment, and urged sy pathetic consideration of t proposals recently put forwa by the World Bank for an i creased programme of norm Bank lending.

9. The Committee agre to hold its next meeting

Membership of the Development Committee and Participants in the Second Meeting

Abdlatif Y. Al-Hamad	Director General, Kuwait Fund for Arab Economic Development, Kuwait
Hans Apel	Minister of Finance, Germany
represented by Alternate,	
Karl Otto Poehl	*Undersecretary, Ministry of Finance, Germany*
Chedly Ayari	Minister of Planning, Tunisia
Henri Konan Bedie	Minister of Economy and Finance, Ivory Coast
represented by Alternate,	
Sidi Ould Cheikh Abdallahi	*Minister of Planning and Industrial Development, Mauritania*
George M. Chambers	Minister of Finance, Trinidad and Tobago
Emilio Colombo	Minister of the Treasury, Italy
F.D. Crean	Minister for Overseas Trade, Australia
Willy De Clercq	Minister of Finance, Belgium
W.F. Duisenberg	Minister of Finance, the Netherlands
Kjell-Olof Feldt	Minister of Commerce, Sweden
Jean-Pierre Fourcade	Minister of Economy and Finance,
Denis Healey	France Chancellor of the Exchequer, United Kingdom
represented by Alternate,	
R.B.M. King	*Permanent Secretary, Ministry of Overseas Development, United Kingdom*
Jose Lopez Portillo	Minister of Finance and Public Credit, Mexico
Carlos Massad	Economic Adviser, Ministry of Economic Coordination, Chile
Masayoshi Ohira	Minister of Finance, Japan
Hussain bin Onn	Deputy Prime Minister and Minister of Finance, Malaysia
represented by Alternate,	
Chong Hon Nyan	*Deputy Minister of Finance Malaysia*
William E. Simon	Secretary of the Treasury, United States
C. Subramaniam	Minister of Finance, India
John N. Turner	Minister of Finance, Canada
Cesar E.A. Virata	Secretary of Finance, the Philippines

is during the first part of e 1975.

mmunique of Inter-governntal Group of 24 on Interional Monetary Affairs

The Inter-governmental oup of 24 on International onetary Affairs, whose purse is to ensure that the speic interests and economic cumstances of the developg countries are taken into count in the reform of the ernational monetary system, is established in accordance th the programme of action opted on November 7, 1971 Lima by the Group of 77, presenting the developing untries.

ommunique

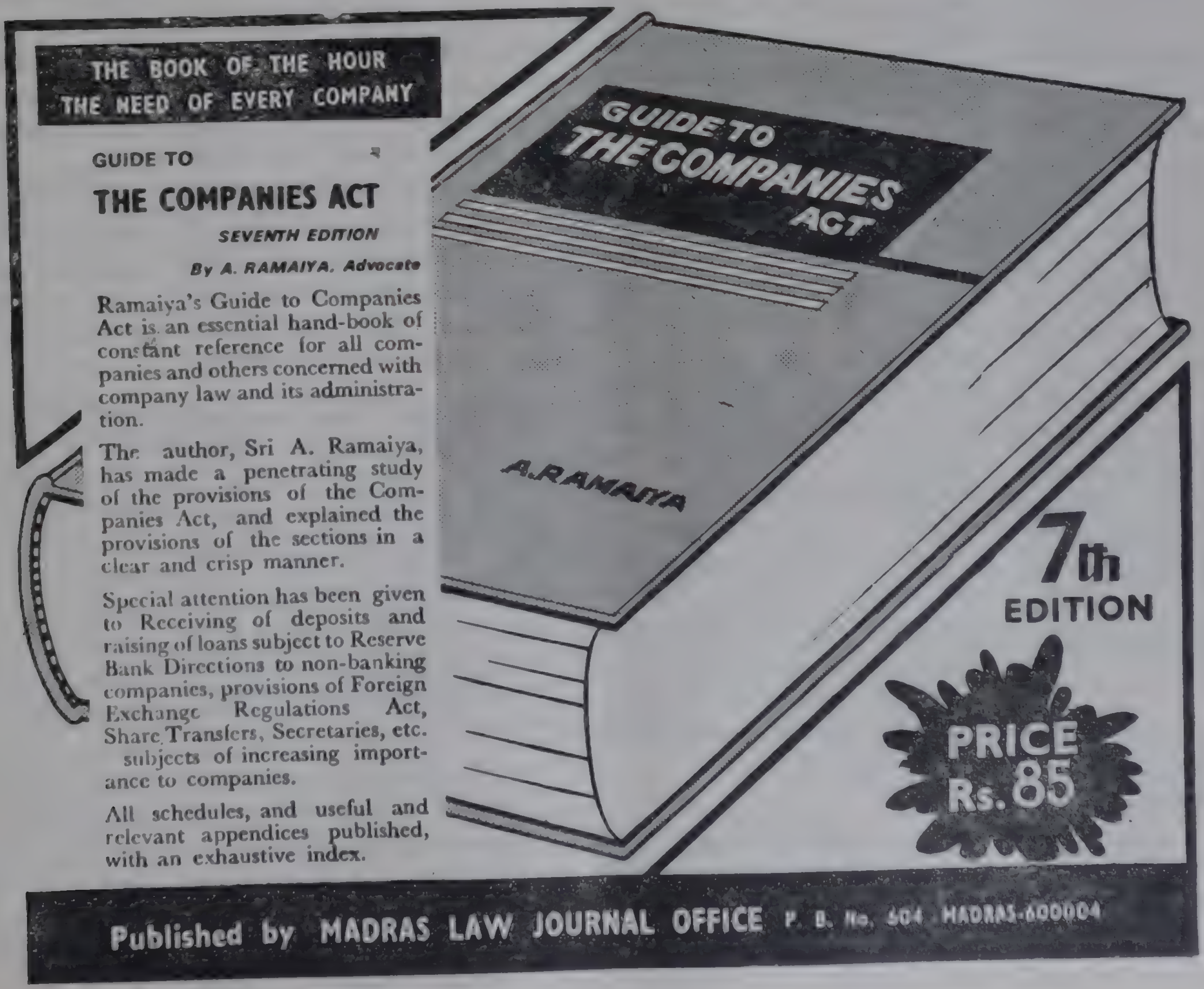
1. The Ministers of the roup of 24 held their Ninth Meeting at the headquarters of the International Monetary Fund, Washington, D.C. on January 13 and 14, 1975. Mr. N.M. Perera, Minister of Finance of Sri Lanka, was in the chair, with Mr Juan Elespuru , representing the Minister of Economy and Finances of Peru, and Mr. K. Donkoh Fordwor, Special Assistant responsible for Finance of Ghana, as Vice-Chairmen. The meeting was attended by Mr. H. J. Witteveen, Managing Director of the International Monetary Fund, Mr. Gamani Corea, Secretary-General of the United Nations Conference on Trade and Development, Mr. R. McNamara, President of the World Bank, and Mr. Henry J. Costanzo, Executive Secretary of the joint Ministerial Committee of the Boards of Governors of the World Bank and International Monetary Fund on the transfer of real resources to developing countries.

2. The meeting was preceded by the Eighteeenth Meeting of the Deputies with Mr. Lal Jayawardena, Sri Lanka, in the chair, Mr. Carlos Santistevan, Peru, as Vice-Chairman, and Mr. Danso Misa, Ghana, as rapporteur.

3. Ministers reviewed the world economic situation and expressed concern at the adverse impact that the intensification of recessionary trends in the industrialized countries was having on the already precarious balance of payments position of most of the developing countries. They expressed the hope that effective measures would be taken by industrialized countries to stimulate economic activity without adding to inflationary pressures. They stressed the need to avoid the escalation of trade restrictions and discriminatory trade arrangements on the part of industrialized countries.

4. Ministers reiterated their view that the International Monetary Fund was the appropriate organ for agreement on international monetary questions, and that all decisions affecting the international financial community should be negotiated and implemented within the Fund.

5. Ministers expressed their dissatisfaction that important decisions affecting the inter-



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national monetary system had been taken outside the International Monetary Fund.

6. Ministers agreed that there was a continuing and increased need for official financing facilities to meet current payments problems as well as to foster economic development. They therefore supported the continuation of the oil facility in 1975, as already provided for, without unduly burdensome terms and conditionality so that it would give adequate access to members, particularly to those in greatest need. Ministers saw an urgent need for interest relief for the most seriously affected low income countries purchasing under the facility. In their view, the resources for such relief should be provided within the International Monetary Fund by members with the capacity to do so. Ministers considered that the trust fund proposal before the Interim Committee was not a realistic mechanism for this purpose, nor was it acceptable as an alternative to the Link; but they were agreeable to studying it, along with other trust fund proposals, in the context of solutions that might be sought on other issues, Ministers also expressed their conviction that additional means should be found to meet the payments needs of developing countries arising at this time, including the activation of the Extended Fund Facility, which should be expanded and made more flexible.

7. Ministers also stressed the need for longer-term development finance. They welcomed the additional development assistance provided by the major oil exporting countries, as well as the balance of payments support given by them. Ministers emphasized that the capital needs of the developing countries called for the provision of additional funds by all countries with the capacity to supply them, as well as the establishment of new multilateral facilities of a long-term character.

8. Ministers reiterated their view that any solution to the question of gold should not jeopardize the effective implementation of the link and the international management of global liquidity; that it should serve to promote the objectives of the reform, with the SDR becoming the principal reserve asset and with the role of gold and reserve currencies being gradually reduced; that it should not accentuate the already inequitable distribution of world liquidity; and that it should be internationally agreed in the Fund. Ministers would only accept new arrangements for gold on the basis of these principles.

9. Ministers considered that an increase in IMF quotas was urgently needed and should not be delayed. In their view, the enlargement of the size of the Fund should be of the order of 50 per cent. Ministers were emphatic in their support for a major increase in the quota shares of major oil exporting countries and for a satisfactory increase in those of the other developing nations. Ministers agreed that the gold subscription to quota increases should cease to be obligatory.

10. Ministers reiterated their position that they would only accept a package of amendments that achieved a fair balance between the interests of developing countries and other countries. In this connection they reaffirmed their strong support for the establishment of a link consisting of direct allocations of "linked" SDRs to developing countries.

11. Ministers also discussed other proposals for amendment of the Articles of Agreement of the International Monetary Fund. The expressed their opposition to the incorporation of a "trade pledge" in the Articles of Agreement. They also registered their support for amendments designed to strengthen the role of the SDR and to facilitate the operation of the General Account, and called for additional measures to increase and improve the access of member countries to Fund resources. Ministers reaffirmed their stand against the legalization of floating other than in particular circumstances under Fund authorization and surveillance in a manner designed to prevent undue instability in the values of the major trading currencies. Ministers were of the view that a decision on the establishment of a Council should be taken after sufficient experience had been gained with the Interim Committee.

12. Ministers expressed their wish to work towards a set of amendments to the Articles of Agreement of the International Monetary Fund that would constitute an equitable code of conduct setting forth the rights and duties of states in the international monetary sphere.

13. Ministers exchanged views on the issues before the forthcoming meeting of the Development Committee. Ministers recognized the urgency of the problems facing the most seriously affected
countries, and agreed t
the Committee should a
address itself to the capi
needs of all the developi
countries, both in the imm
diate future and in the long
term. Ministers expressed th
strong support for the five-ye
lending programme prop
ed by the management of t
World Bank and saw a pressi
need for additional multila
ral facilities to finance devel
ment. In these context, t
favoured the establishment.
soon as possible, of a spec
fund such as that proposed
Iran, with contributions fr
both developed and major
exporting countries, to
managed by donors and r
pients in a balanced man
Equally, they endorsed
proposal to establish a t
window in the World B
as soon as possible; they u
that the requisite interest
sidy should be sought from
possible sources. They
drew attention to the nee
complete the replenishmen
IDA without further del

14. Ministers also saw
need to explore proposals
pable of prompt impleme
tion to improve the acce
developing countries to fi
cial markets. Ministers favo
increased programme len
by the IBRD and IDA.
agreed that the future wor
the Committee should als
clude the proposal for a
plementary financing sc
wihin the World Bank,
mooted a decade ago, and
crete proposals for fina
arrangements to protect
expand the real value o
export earnings of devel
countries from their trad
pecially in primary com
ties, in cooperation
UNCTAD and the
national Monetary Fund

—IMF S

Danger within

SOME TIME ago, on November 29
last, this journal suggested in an editorial
that among the limited number of options
n to Mrs Gandhi, two were fairly obvious. She could hold a general election
e or less immediately and demonstrate that she and her party retained the confi-
ce of the electorate. The other course would be to negotiate with Mr Jayaprakash
ayan and also the leaders of the major opposition parties a minimum agreed pro-
mme for dealing with the urgent political and economic issues facing the country.
as argued that, should she shy at making a choice and continue to drift or dither,
strength in the country as well as in her own party would undergo steady and per-
s rapid erosion. This journal felt that discussion or consultation with Mr
aprakash Narayan would however present problems for the prime minister since the
mer had neither an immediately relevant political programme nor even any very clear
itical objective. It was also pointed out then that, since Mr Jayaprakash Narayan
med determined not to accept any kind of political responsibility in the sense in which
term was generally understood, it would perhaps be better for the country if the prime
ister were to exercise the option of an early election and, having once again secured
her party a majority in the Lok Sabha — a result which could be considered certain
proceed to implement a two-fold programme of restoring political and economic
bility while dealing sternly with agitational challenges to the constitutional pro-
ses of a parliamentary democracy.

As it has turned out, the prime minister has not gone in for an early election. It
rue that she could still appeal to the ballot box in the third or the fourth quarter of
75 rather than in the first quarter of 1976, but even if she does so, it will not be of much
ategic significance. The position would have been different had she gone to the coun-
during this January-February.

It now remains for Mrs Gandhi to make up her mind to initiate talks with Mr
yaprakash Narayan and other political leaders even if there can be no guarantee that
ose negotiations would be fruitful. Otherwise, dissent within her party is bound to
ow and it is also sure to come increasingly into the open. It is no longer possible
r Narora-type party conclaves to help keep the lid on this ferment. Politicians of the
nd of Mr Chandra Shekhar or Mr Krishan Kant are not wide-eyed idealists. That
ey have felt it safe to call publicly for Mrs Gandhi initiating a dialogue with Mr Jaya-
akash Narayan shows that they are reasonably sure of a considerable audience within
eir party. In other words the erosion of the prime minister's political position is
ow an active process.

As the days go by, Mrs Gandhi is likely to be increasingly on the defensive. This
ould be all the more so because more and more of her partymen are becoming uneasy
bout the infiltration of her party by CPI influences. So long as Mrs Gandhi's authority
mained supreme those who felt unhappy at the easy access to her counsels which cer-
in CPI leaders enjoyed or about the presence of fellow-travellers in the government,
ould do precious little about either. Now, however, they are clearly in a position to
sist on the party taking seriously the threat of disruption posed by the CPI as well as
n Mrs Gandhi herself rendering a proper account to her partymen of her guardian-
hip of the larger interests of their party. The feeling that some of her colleagues and
many of her followers have that her flirting with the CPI is all wrong and the view appa-
ently held by a section of the rank-and-file that Mrs Gandhi should initiate a dialogue
with Mr Jayaprakash Narayan surely make for a formidable mixture of tensions within
he ruling party. To expect them to die down of their own would be, for the
prime minister, to give hostages to fortune. In the circumstances it would be a miracle
ndeed if the harassed Mrs Gandhi were at all able to give serious thought to the economic
problems of the country.

It follows that such of us as are concerned about the government giving positive

eastern
ECONOMIST

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25 FEB 1975

leadership to the national economy should wish for an early end to the political confusion. The present state of affairs helps nobody; on the contrary, it encourages some very odd behaviour within the government, as evidenced by the public displays put up by certain junior ministers. We thus find Mr Mohan Dharia publicly complaining that a government of which he continues to be a member has not acted on the report he had submitted as the chairman of a committee which had addressed itself to the issue of the proper distribution of essential commodities and articles of mass consumption. Earlier there was the even more strange case of Mr B.P. Maurya, minister of state for Industry and Civil Supplies, taking the ministry of Commerce to task for the latter's alleged step-motherly attitude towards cotton textile mills in the public sector. He had also expressed a grievance that the National Textile Corporation, which had been charged with rehabilitating or running sick textile mills, was not receiving reasonable consideration of its credit needs from commercial banks.

We are not suggesting that inter-ministerial co-ordination is perfect or that government's functioning does not leave anything to be desired. Nevertheless, if it were to become a habit with ministers to castigate or find fault with government policies in public in the manner in which Mr Dharia or Mr Maurya has done, the framing or administration of government policies is bound to become even more chaotic than it is at present. Let there by all means be discussion and debate within the government on policy issues or particulars of administration, but let not ministers, attempting to lobby for their departmental points of view or, perhaps, simply for their political image, create an impression in the public mind that the central authority in government is weakening. It is up to the prime minister to ensure in time that the government's credibility is not attacked and damaged from within and without.

Problem of its own making

THE FORTHCOMING central and railway budgets for 1975-76 have more than usual significance as it is now felt that there may not be any snap poll and both the union Finance and Railway ministers will be presenting to Parliament regular budgets with new proposals for raising additional resources. The question is whether these two ministers will find it desirable to mobilise additional resources in a big way after the massive effort made in 1974-75 on four occasions. The central budget proposals sought to raise Rs 211 crores when the regular budget was presented in Feburary last year. In the interim budget in July the new imposts were aimed at securing Rs 232 crores in a full year and Rs 136 crores for 1974-75 before providing for the share of states. Likewise, the revision of passenger fares and freight rates in the two railway budgets meant an increase in the burden on the users of railway services by Rs 371 crores in a full year. In the regular budget the additional revenue through new levies was estimated at only Rs 136 crores and in the supplementary budget at Rs 235 crores in a full year and at Rs 140 crores in a little under seven months.

The Posts and Telegraphs department too effected changes in its tariff to fetch an extra amount of Rs 43 crores in 1974-75 and Rs 57 crores in a full year. Between the central and railway budgets and the revised charges of the Posts and Telegraphs departments the increase in the burden on taxpayers and users was thus Rs 871 crores in a full year. With these revised rates and levies being in full force in 1975-76, there will be increase of revenues to the extent of Rs 205 crores. It can therefore be said that a good part of the tax effort needed for the next financial year has been already anticipated by the central exchequer and with the levy of heavy excise and import duties and high direct taxes, there will automatically be a big increase in revenues if there is a higher level of output and incomes.

It is puzzling however to note that the ways and means position of the central government continues to be diffic and even with the non-payment of instalments of dearness allowances the slashing of Plan outlays, the ove deficit is likely to be in excess of budget estimate of Rs 125 crores. Th is no warrant however for the speculat in a section of the press that the covered deficit may even by Rs 800 cro

This is because the changes in holdi of rupee securities, treasury bills and vestments of the Reserve Bank do indicate any unusual trend and if the perience of the first quarter of 197 any guide, the aggregate deficit may less than Rs 400 crores. What preci are the factors that have been respo ble for the rather strained ways means position of the government? borrowing programme for the cur financial year has been very nearly c pleted with the issues of loans on t occasions. The receipts under the Sr Savings campaign have been quite couraging while the budgetary estim in respect of foreign aid receipts likely to be more than fulfilled. A from larger aid from the consortium communist countries, the wheat from USA and the east European c munity is likely to result in additi receipts of Rs 150 crores. The ca budget total may thus be higher Rs 250 crores as compared to estimates.

The revenue budget also is bound make satisfactory showing on the rec side as customs revenue has recor an increase of Rs 174 crores in the seven months of 1974-75 while it was pected that there would be a net dec of Rs 37 crores in a whole year. S larly, excise duties have been fetc sizeable revenues, the receipts in the seven months being higher by Rs crores while they were estimated to by only Rs 500 crores in a whole y The increases in direct taxes were expected to be more than Rs 95 cr while the collections in the first months were Rs 56 crores additiona It will therefore be seen that the reve budget total on the receipt side may higher by at least Rs 400 crores over budget estimates including the effect new taxes, in both the budgets. As pital budget receipts also are likely be better by Rs 250 crores, the union inance minister is in a position to meet verruns in expenditure of even Rs 650 ores while providing for Plan out- ys on the contemplated basis.

Under these circumstances, if the verall deficit is likely to be Rs 400 crores, e overrun in expenditure must be s 900 crores. When it is being ersistently reported that Plan alloca- ons are only being reshuffled and here might even be a net reduction Plan outlay in the central sector, does mean that non-Plan expenditure has in- reased by Rs 1,000 crores as a result of eavier food subsidies, a larger salary ill and bigger assistance to the states or drought and flood relief operations? n respect of the last mentioned item it as been repeatedly emphasised that the tates will be given only advance alloca- ions for carrying out relief operations nd the adjustments will be made suit- bly in 1975-76 allocations. If this policy s implemented, there will be a technical welling of expenditure or deficit if need e in 1974-75 and it should be possible o effect a corresponding reduction in xpenditure in 1975-76. For the first ime in the history of central budgeting he union Finance minister, Mr C. Sub- amaniam will be presenting to Parliament evenue and capital budgets which may omfortably exceed an aggregate of Rs 10,000 crores! This certainly is a formidable total and there may be widespread discontent if fresh proposals are made for raising additionally Rs 200 crores or more.

There is not much scope for increasing direct taxes. On the contrary, it is generally expected that the exemption limit for individual assessees will be raised while it has been argued in industrial ciscles that the new budget should contain concessions which will be helpful to industrial units in tackling problems arising out of inflation accounting. If new industrial units have to function profitably and the established units have to carry out their modernisation and replacement programmes and execute also expansion schemes, there will have to be some new concept for computing depreciation charges which will be in excess of 100 per cent of book costs, apart from general rebates in excise duties for new units and additional production.

The railways too have been acquitting themselves creditably recently and thanks to the improvement in operating efficiency and the impact of higher passenger fares and freight rates, the budget estimates may even be exceeded. As the railways will be in a position to secure additional revenues of Rs 95 crores with the supplementary charges being in force for a full year and they can also handle a larger volume of passenger and freight traffic, there is no justification for raising further passenger and freight rates, though it will not be a surprise if on the plea of inadequacy of resources for Plan purposes, there are fresh levies of Rs 100 crores. The difficulty lies in segregating revenues intended for development purpose and preventing undue increases in non-Plan outlays. Since the Finance and Railway ministers may not like to court unpopularity with the elections in the offing and there is at the same time anxiety to secure additional revenues, it remains to be seen how the contradictions in thinking will be resolved. It is necessary however to remember that the required resources will become available automatically with a revival in economic activity, new techniques for financing schemes and elimination of subsidies in the supply of electricity, irrigation and other services by the states. The centre was never more happily placed in regard to its revenue sources. If it is in a sad predicament it has only itself to blame.

More power for West Bengal?

WHEN THE government of West Bengal set up in last April a high-powered commission to examine the various aspects of power generation and distribution, it was thought that Mr Siddhartha Shankar Ray, the chief minister, had taken a bold step to deal with a problem that had caused a great deal of concern to the people especially to the business community. For over two years, the state was confronted with a serious and persistent shortage of power, which had not only severely dislocated industrial production, expansion and exports but had also caused immense hardship to the public. The development programmes relating to agriculture and rural electrification had also received a sharp set-back due to the highly irregular and utterly inadequate supply of power. Though the causes of the crisis had been generally known and had also been enquired into by some departmental committees set up by the state government, it was felt that only a thorough probe conducted by a competent commission would reveal the real reasons and would also be able to make appropriate recommendations to tackle the problem effectively. The government therefore acted wisely in appointing a commission for this purpose with Dr. S. Burman, former chief justice of the Orissa High Court as the chairman and Mr. A. K. Ghosh, former vice-chairman of the Central Water and Power Commission, and Dr. A. Bhattacharyya, Member of the Planning Board, as its members.

The commission was called upon to examine the performance of the different power generating agencies and find out the reasons for the shortfall in generation, to ascertain the causes for the delay in commissioning the unit number one of the Santaldih power plant, to assess the steps taken by the present government in accelerating the generation and supply of power in rural electrification and supply of power to the agricultural sector, to ascertain the limitations that were existing at the time of their assuming office and those that were still persisting; and to examine the progress being made towards the implementation of the new schemes to be taken up uuder the fifth five-year Plan according to the phased programme drawn up with a view to advising on the prerequisites for achieving the targets according to schedule.

The commission submitted its report in the middle of December but the government has not released even a summary of its recommendations. Press reports however indicate that the commission has critically commented on the lack of a clear and coherent policy for the development of power, failure to ensure effective coordination of the various generating agencies, and the dificiencies of the state's department of Power. The commission has suggested restructuring of the Power department, take-over of the power units of the Durgapur Projects Ltd., by the state electricity department and the appointed of a permanent high level state power commission for the over-all control of the Power department and all other power agencies.

The commission has refuted the allegation made by the State Electricity Board that the Calcutta Electric Supply Corporation was responsible for causing the crisis by not generating sufficient power and has, on the other hand, complimented the corporation on its performance. The commission has also criticised the manner in which the state government implemented the programme of load-shedding and connections were given for new consumers at a time when the state was passing through a severe scarcity of power and even industries of great importance to the country's export trade had drastically cut their production.

It is hoped that the government will release the full report of the Burman commission as early as possible so that the public as well as the business community will be able to know what exactly were the factors that caused the crisis and how it should be tackled effectively. The fact that the commission has been severely critical of some of the policies and procedures adopted the government of West Bengal should not certainly be a justification for not taking the people into confidence about its findings and recommendations. While announcing the commission's terms of reference, the government said that these were "definite matters of public importance" and therefore public cooperation should be sought in rectifying the past mistakes and in evolving an intelligent and integrated policy which will help to avoid the kind of power famine which has plagued the state's economy in recent years.

The government has recently permitted the Calcutta Electric Supply Corporation to carry out its expansion and modernisation programme though this should have been done long ago. The government should now see to it that the corporation is able to get the funds and facilities to expedite the implementation of its schemes. At the same time, the government should reorganise its department of Power, more or less on the lines suggested by the Burman commission and ensure that the generating agencies under its control are able to work at the highest level of efficiency.

Meanwhile, reports have appeared in the press that the supply of power in Calcutta in the coming summer will be much better than in the previous years. It is stated that the measures adopted to complete the second unit of the Santaldih power station as well as the Purulia-Calcutta transmission line have been satisfactory and that Calcutta will be able to get about 100 MW of additional power. The early completion of the transmission line connecting Durgapur with north Bengal and the improved power generation by the DVC are also expected to augment supply· But industrial consumers have expressed doubts about the adequate availability of power in the coming months, though, for the time being, there is some improvement due to the fall in demand in the winter season and the prolonged strike in the jute industry.

Mr. D. P. Chakravarti, President of the Indian Chamber of Commerce, Calcutta, said at its third quarterly general meeting held on January 27 this year that "there is a danger that it (power supply) may deteriorate with the onset of the summer months when th load factor will increase unless the secon unit in Santaldih comes up as per sche dule and the transmission lines ar completed". He complained that th target dates continued to be extended fo some reason or the other. He also sai that it was a matter of concern that there was considerable uncertainty about th supply of power from the long-terr point of view. This anxiety seems to b justified in view of the fact that the stat planning board has estimated that ther will be a deficit of as much as 1851 MV by 1978-79. West Bengal's Power ministe has recently revealed that the implementa tion of many power projects was bein delayed due to the paucity of resources

According to the state government programme, Santaldih's second un was to be completed by December 197 the third unit by December 1975 and t 4th unit by December 1976. The Band 5th unit is scheduled to be completed b March 1978, and the three Kolagh units by October 1978, April 1979 a October 1979 respectively. It is importa to complete these projects accordi to scheule so that industrialists can pl their schemes with confidence. The g vernment of India should also keep close watch on the progress of the power projects and, where necessary, pr vide them with sufficient funds to facilita their expeditious implementation.

Eastern Economist 30 Years Ago

FEB. 16, 1945

The Railway Budget for 1945-46, which Sir Edward Benthall described as "somewhat unorthodox," far from being heterodox in the more acceptable and fashionable sense of the term, hardly fulfils, in our view, the modest financial cannons of a business enterprise in the abnormal circumstances which the railways have had to face in the last five years and have in store after the war. The transport system has been so mercilessly overworked and the railways' finances so recklessly appropriated for general rever that the war-time buoyancy of earnings has l them with utterly insufficient financial reserv to repair the physical damage done. The prese budget whose most important feature is that provides for increased earnings to be utilized writing down the high cost of war-time purcha of rolling stock and construction, does o partial expiation for the fallacies of past.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Steel Plants' Product-Mix • Indo-West Asian Economic Collaboration • Sheikh Yamani's Visit • New Directions to Economy?

IE PRODUCT-mix of the various integra-
l steel plants in the country might
dergo a substantial change in the near
ture. The Steel Authority of India
AIL) is understood to be seized of this
atter.

Following a sharp decline in the
npo of construction activity this year,
uich is not expected to pick up in the
ar future also because of anti-infla-
nary measures and the tight cement
pply position, it is felt that the produc-
n of construction steel—bars, rods,
ams, etc.—can be reduced considera-
y.

The case of such products as rails is
different. Due to budgetary constraints,
e railways are not in a position to place
ly large orders on steelworks for this
oduct. Some electricity boards are
id to be utilizing rails as lamp posts,
it even the production of this item may
ave to be scaled down if sufficient
port orders are not available.

lose coordination

The proposed change in the product-
ix of steel plants, it is learnt, will be
one in the light of the demand, both
omestic and export, for the various
itegories of steel. As already indicated
st week in this column, steel imports
ext year are envisaged to be curtailed
y about 33 per cent from the current
ar's level of about a million tonnes.
he production and import programmes
e proposed to be closely coordinated.

Generally speaking, the emphasis in
roduction would be shifted from thicker
ounds, rails, skelp, etc., to plates and
eavy structurals needed by the engineer-
ig industry.

The total output of saleable steel is
nvisaged to be raised next year by about a million tonnes from this year's likely level of 5.5-5.7 million tonnes. This should be possible as Bokaro will also start yielding sizeable quantities next year.

* *

The delegation of the Federation of Indian Chambers of Commerce and Industry, led by Mr K. K. Birla, which visited several west Asian countries, including Saudi Arabia and Iraq, a few days ago is understood to have returned with very favourable impressions about the Indo-west Asian trade and economic collaboration. It is said to have found the climate quite conducive to joint ventures not only in India and west Asia but also in the third countries. Sizeable investments can be made by the oil-rich west Asian nations in these ventures for which technical expertise and manpower can be supplied by India.

The delegation feels that India can assist the west Asian nations particularly in the building up of infrastructure facilities there. The prospects of setting up industries which can be based on local or Indian raw material resources are also considered very bright. These include such industries as fertilizers, chemicals and steel.

Export prospects from India, the delegation feels, are promising not only for many consumer items but also for equipment and machinery required for the development of several medium-sized industries—besides steel, fertilizers and chemicals—which the west Asian nations might prefer to go in for.

The image of India as a country which can technically assist west Asia, the delegation thinks, has improved a great deal in the recent past. This should augur well for Indo-west Asian economic co-operation.

* *

The bright prospects of Indo-west Asian collaboration in industrial ventures as well as trade have also been confirmed by the Saudi Arabian minister for Petroleum, Sheikh Ahmad Zaki Yamani who was here last week on a state visit. The Sheikh disclosed that his country was very much interested in setting up fertilizers, chemicals and drugs manufacturing units. India could render a good deal of technical assistance in these fields.

The establishment of an Indo-Saudi Arabian Joint Commission has been proposed during Sheikh Yamani's visit. One of his colleagues, the state minister for Planning, is expected to visit New Delhi later this month to sign an agreement in this regard. The joint commission would identify and implement specific joint ventures.

Sheikh Yamani, however, ruled out the possibility by supplying Saudi Arabian oil to developing countries like ours at concessional prices. He as well did not favour oil exports on deferred payment basis. His country, he stressed, would sell oil only for hard cash at market prices. The developing countries, however, could be assisted, through provision of long-term loans on soft terms out of a development fund which had been set up by Saudi Arabia out of the surpluses available from oil exports. Sheikh Yamani expressed the view that for countries such as India it would make little difference whether aid was given for oil imports or for setting up new projects. He disclosed that India had not made any request for an increase in oil supplies from Saudi Arabia.

The Saudi Arabian minister reiterated that his country would resist further increase in the oil prices for this might aggravate global recessionary tendencies to combat which such countries as the United States and the Federal Republic of Germany are adopting reflationery measures.

The Sheikh also expressed himself against a conference on oil between the OPEC and the other developing countries. He thought that all developing countries, including oil producers, should stand together to face the industrialised nations. He favoured a tripartite conference in which not only oil but also all raw materials should be discussed along with such subjects as transfer of technology, transfer of real resources and the world monetary system.

Another important disclosure made by Sheikh Yamani was that his country did not favour assisting the setting up of oil refineries abroad. It wanted to have its own refineries so that more and more petroleum could be exported instead of crude oil.

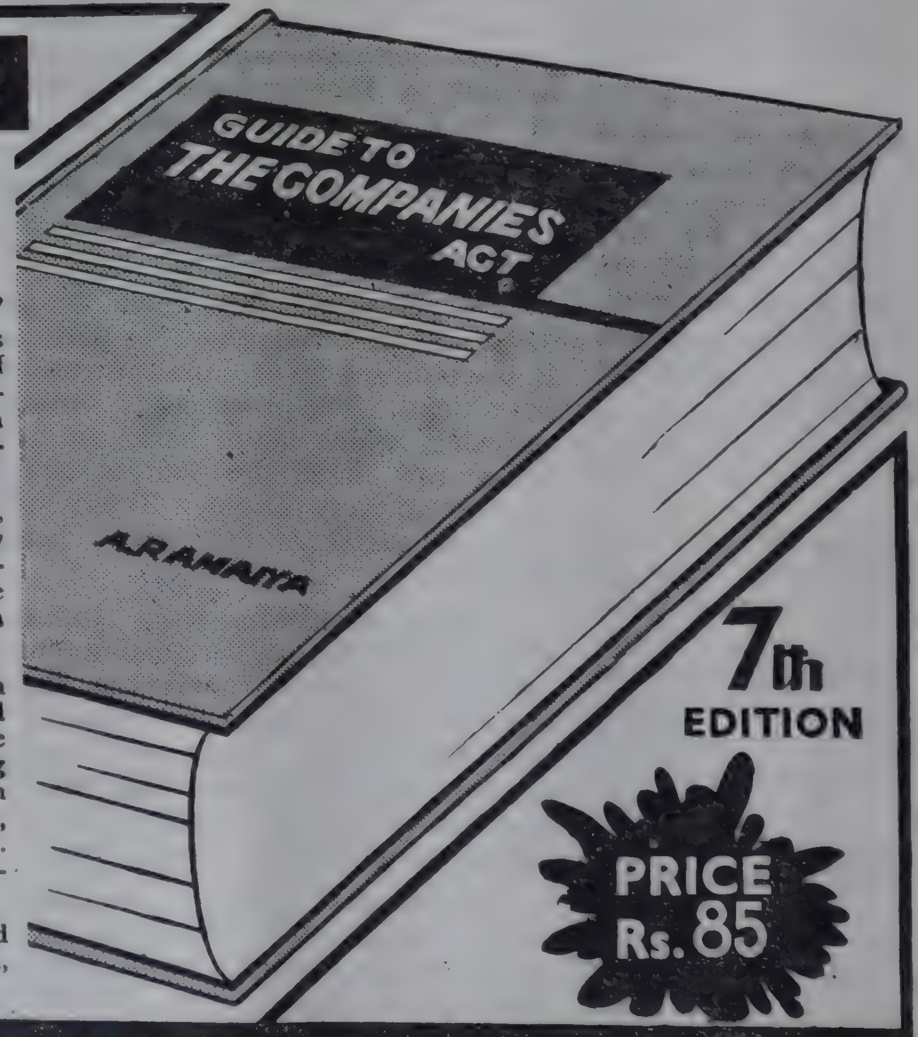
* *

Addressing the Consultative Committee of Parliament attached to his ministry, the union minister for Finance, Mr C. Subramaniam, indicated this week that his budget this year would attempt at channeling scarce resources into "priority areas" and giving push to the economy in certain important directions. With the budget only a couple of weeks away, he obviously could not dwell at any length on the directions he wanted to give to the economy. He only added that certain imbalances that had crept into the economy in the recent past would be corrected to the extent possible.

Mr Subramaniam conceded that recessionary tendencies were there in some sectors of the economy, but he expressed the view that the overall performance was not that bad as made out by certain circles. The heavy industries sector, particularly the heavy electrical equipment manufacturing industries, he pointed out, had shown a substantial improvement. The output of the other public sector industries too had registered a rise of ahout 12.5 per cent over the last two years. Steel output was also looking up. The overall industrial production as well had started picking up. He hoped that this improvement would be maintained next year.

The Finance minister revealed that a working group of his ministry was currently examining the question of legislation to enable the government to confiscate the properties of smugglers. This legislation would be brought before Parliament after a thorough legal examination so that it could stand all judicial scrutiny. Mr Subramaniam denied that there had been any slackening of the tempo of anti-
smuggling operations. These operation
he said. would be continued ruthlessl
He, however, admitted that some smug
lers were probabiy regrouping themselve
He justified the resort to preventive dete
tion of smugglers on the ground that the
was not sufficient evidence to prove t
guilt of the persons concerned.

The drawing up of the next year
budget, indeed, is going to be an ardon
task, for despite the measures taken t
contain the budgetary deficit within tl
original estimate of Rs 126 crores, tl
current year's revised estimates of receip
and expenditure are expected to sho
considerable imbalance. Indications a
that the deficit may exceed Rs 500 crore
If developmental expenditure next year-
the second year of the current five-ye
Plan—is to be kept up reasonably hig
a substantial effort at mobilisation of r
sources will be necessary. It remai
to be seen how the Finance minist
would mobilise additional resources f
development without giving push
prices. The expectations of a good ra
crop, of course, should stand him in goo
stead in drawing up the next year
budget, for it will be having a saluta
effect on the priceline.



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Facts and illusions

S. Bhoothalingam

AVE often wondered why these ad- sses are called keynote addresses. ng prone to seek accuracy, I have ught that the keynote address seeks bring out one or two points, strictly aking only one, around which discus- ns could be concentrated.

n that sense, I have sought to ident- the key and, if I have understood ht, the suggestion made is that exces- e growth in conditions of inflation ve shifted the terms of trade very much favour of the industrialised count- s, and that what we have seen recently a necessary corrective process. Stated this way, there can be very little cause disagreement. But, when a disease s been diagnosed and its nature deter- ned, then we proceed to take the re- dies. There are all kinds of remedies gentle ones which may or may not be ective but not too unpleasant, and etty violent ones; and sometimes the olent ones like using the methods of eration may even cost a surgical shock.

istorical process

Now, if you look at the historical ocess, you can easily admit that the cor- ctive process has begun in a particular ay, that is, through an increase in the ice of oil, which is one of the most im- ortant primary materials in the world, imary scarce material, and on present owledge with inexhaustible resources. his process, however, as it can be seen, nnot be confined to oil. The same logic ould require a readjustment of prices, hich has been set in train by this shock tion. Appropriate weight has to be iven to this and, if you do not give it, ey will give themselves, not only to oil ut to many other similar materials, though terms of magnitude they may not be nything like oil.

Therefore, the major problem here to- ay is a further readjustment of prices, of elative prices. The readjustment of re- ative prices in the economic systems of he world, organised as they are today, eans massive transfer of resources, and he problems are accentuated because in his process of matching transfer, the acts are mixed with illusions. I mean here is a great deal of what we Indians call MAYA thrown over the whole industry.

The Second International Seminar of Economic Journalists was held in the capital from January 22 to January 28. We reproduced the views of some of the participants in our issues dated January 31 and February 7. This is the last instalment in the series.

This may sound a bit mysterious and I shall try to illustrate that.

What is happening today or would always happen as a result of adjustments is not merely actual transfer of resources. Very much more than that is the transfer of the power to make future transfers of resources. In other words, take a simple present case itself. What has massively accrued to the oil producing countries in a remarkably short period is an enormous amount of purchasing power. This purchasing power represents claims against the rest of the world, claims which are not meant to be enforced right away, and which cannot just be enforced.

In simple language, the importing capacity of the producers is fast accumulating the vast resources in the shortest period, within a a very limited period. I am not alleging that they should not accumulate these rights. But the rights accumulated, I stress, cannot be exercised now and these rights to remain rights or the value of these rights not to be eroded in future depends very much on a continuance of a suitable world system. The future transfer of resources under these claims can materialise only with consent. The history of the world has shown in the past, in the recent part and may be in the future, that all claims are not always honoured in the same way. Of course, there have been very few instances in history where these claims have been totally eroded. But there are hundreds of ways in which the exercise of these claims has been limited, postponed, regulated.

In the trend of these important happenings, the problem to face is how the exercise of these claims can be ordered in such a way that the future transfer of resources becomes beneficial to the world as a whole, and in particular to those who have accumulated those resources and will continue to do so.

Here, talking for, in particular, developed countries, I would suggest, not cynically but seriously, that taking the world, as it is, it would be a matter of prudence and common sense on the part of all oil exporting countries to spread their claims wide so that the chances of their being eroded by various kinds of nationalist actions are diminished. I am sure that the OPEC which have shown so far not only toughness but also considerable amount of farsight and sophistication in the management of their affairs will appreciate this point very much.

understandable reactions

That this should have caused many reactions and many unpleasant reactions in other countries is understandable. That oil prices have contributed only in a small measure to the inflation in the industrial countries has been emphasised by Mr Ahmed Kouross, deputy minister, Economy, government of Iran — I would submit that alone is not perhaps a full measure. Inflation has been there and there is no sign of inflation abating yet. But the earlier point you (Mr Ahmed Kouross) made in my view is far more appropriate, which is, the basic cause has been the attempt deliberately or semi-unconsciously of the industrial countries to grow and to sustain a high standard of living, which cannot be maintained with the production they have or they can have.

Now, there is no doubt whatever that today many western countries are faced directly or indirectly with some reduction in their standard of living. In a few countries in Europe, it is already evident. Now, the transfer of resources, and adjustment towards the new world order are all concepts and phrases and they cannot get over the fact that the standard of life in those highly developed countries is threatened. Not that we in the rest of the world are inclined to shed too many tears ever it; that is a different matter. To us the greater concern is that even in this age the standard of life in the greater part of the world has not risen. One of the unfortunate, fortuitous or not is too early to say, effects of vast changes which have been taking place is that this process of readjustment hurts developing countries even more than the developed countries. This need not necessarily be so. How to bring about changes in industrial relations, which would enable the developing countries not to be sacrificed in the battle between the old rich and the new rich is a problem really which dominates most of the world.

Here again, a certain new phenomenon, I would not say new phenomenon, certain things which have been there but which have not been quite seen and appreciated is this: we lump all industrialised countries together and we lump all developing countries together. But there are all kinds of differences in both the groups. For instance, in our own country, in India, if you take the per capita income and such like economic measurement, we are probably among the lowest, practically near the bottom. On the other hand, in the organisation of our society, in our mental outlook and all that, including our human infrastructure, I would say we have m
of the characteristics of developed co
ries. Therefore, we can have a sort of f
way classification — developed as wel
rich, rich but not necessarily very m
developed, developed and poor, and p
and undeveloped, and there are m
many combinations. To find way
establishing a new international o
which is by and large, in positive terms
the interest of development, is going
be a major problem, which we l
to face.

ADB and rural developmen

Dr Perry Cha

HERE I would like to say just a few words about the economic conditions in the developing member countries of the Asian Development Bank (ADB) as a whole and also to take this opportunity to report to you briefly the Bank's operations during 1974. As we all know, during the past year, the developing member countries of the Bank were generally affected by the unfavourable developments in the world economy. Most countries experienced a substantially lower rate of growth as compared with that in the previous years. Moreover, development efforts were generally weakened by mounting inflation and increasing balance of payments difficulties. The world-wide shortages of food and fertilizers and, also serious crop failures in several countries aggravated the situation. These developments have brought unprecedented pressures on the resources of most of the developing member countries and have made their task of improving the economic and social conditions of the majority of the people more difficult.

satisfactory growth

During the 1960's and early 1970's, the real growth in Gross National Product (GNP), of developing member countries was generally satisfactory and in several countries, the annual targets of five and six per cent suggested by the United Nations for the first and second Development Decade respectively were met. In some developing member countries, the growth rate was among the highest in the developing world. However, this trend was reversed in 1974. Preliminary estimates indicate that the growth in the GNP in 1974 for most of the developing countries was below half that achieved in 1972. Also, there were indications that in several developing member countries, the growth rate was negligible or negative.

The reversal in the growth trend in the region was closely related to the world-wide contraction in economic activities. The Organization of Economic Co-operation and Development (OECD) has estimated that the average rate of growth of seven major industrial countries is expected to be 0.5 per cent in 1974 as compared with 6.5 per cent in 1973 and 5.8 per cent in 1972. The total foreign trade of the OECD countries, which are major markets for the developing countries in the region, is estimated to have increased at a slower rate in 1974 than in 1973, even at higher prices for both exports and imports.

upswing in prices

The slowdown in economic activities in the industrially advanced countries appears to have contributed significantly to the unsatisfactory performance of the region's economy. The upswing in prices of primary commodities which started in 1972 had reached peak levels in about the middle of 1974. Except for a few commodities such as sugar, palm oil and jute, which are still in short supply, the prices of other primary commodities are on the decline. Considering that these commodities constitute a major portion of the exports of many developing member countries, the downturn in prices has resulted in the decline of economic growth in these countries.

The slowdown of the world ecnnomy has also reduced the demand for manufactured exports from the region. E
though industrial production still co
rised a relatively small portion of the t
output of the developing member co
ries as a whole, the share of manufactu
products in the total exports of m
countries has been generally increa
since the early 1960s. In recent year
reached between 40 to nearly 100 per
in seven developing member count
With the general decrease in the dem
for such exports, the economic slowd
was transmitted to many develo
member countries, especially t
which have depended mainly on ex
oriented industrial development for
nomic growth.

food production affected

In several developing member co
ries, besides shortages and high p
of fuel and fertilizers, food produc
was also affected by natural disas
Although there was a moderate incr
in rice output in some developing mer
countries, some of the most den
populated and traditional rice-expor
countries experienced reductions in
production of rice and wheat. Consi
ing that agricultural production is
important part of the national pro
of these countries, crop failures
contributed to the slowdown in the
gion's economy.

While the above factors affected
economic growth of most developing m
ber countries, the situation was ag
vated by mounting inflation and by
prices of fuel. These developments h
prompted virtually all developing mer
countries to adopt stringent anti-inflat
ary policies and fuel conservation m

es. Although such policies and mea- es had varying success, they also gene- y resulted in the reduction of both blic and private investment in real ms.

he decline in the economy of develop- member countries was accompanied inflation throughout the year. Preli- nary estimates suggest that the con- ner price index in most developing mber countries rose by 5 to 40 per cent, mpared with an estimated average of 14 r cent in the major industrial countries. is increase was also considerably higher an that in 1973, which generally ranged tween 10 and 30 per cent.

As a result of these unfavourable de- lopments, most developing member untries faced an unprecedented in- ease in their trade deficit, which aggrava- d their balance of payments difficulties. is estimated that the total trade deficit the developing member count- es of the Bank amounted to about US 10 billion in 1974, which was five billion llars higher than the preceding year.

nflow of capital

Historically, the trade deficits of the de- eloping member countries have been ffset largely by the inflow of long-term apital and transfers from the developed ountries, which amounted to about US 4 billion in recent years. With the de- eloped countries generally facing serious conomic problems of their own, it is nlikely that this amount could have een increased substantially. Although ome new facilities, such as the IMF oil acility and the UN Special Operations were created to help mitigate these diffi- ulties, and some oil exporting countries ave begun to show interest in the region, many developing member countries had o resort to borrowing at very high inte- rest rates on rather short term. Accord- ing to recent UN classification, six of the developing member countries of the Bank have been classified as the most seriously affected countries. In fact, many other countries are facing a similar situation.

The outstanding public external debt of the developing member countries as a whole had already reached about US $35 billion by the end of 1973, which was US $ 2.5 billion higher than in the preceding year. Corresondingly, the debt service payments increased from about US $1 .8 billion to about US $2.2 billion. Considering the greater need to borrow as a result of increased trade deficits, not only are debt service payments expected to increase at higher rates in the affected developing member countries as a whole, but creditworthiness may well become a problem in same of the most seriously affected countries.

While the Bank recognizes the gravity of the situation and would be willing to support, as far as practicable, international efforts to mobilize such funds, it does not have the resources, nor the mandate, to provide balance of payments support which the world economic situation calls for. However, in response to development in the international economy and the impact of these on its developing member countries, the Bank instituted important changes in its operating policies during 1974.

standardised terms

The terms of Bank loans from its Social Funds resources were standardized and further softened during the year. The financing of local currency expenditure with foreign exchange resources has been initiated. In addition, financing of interest and other charges during the period of construction of a project under ordinary loans has been liberalized. However, due to the increasing cost of borrowing, the Bank's lending rate from its ordinary resources was increased from 7.5 per cent to 8.25 per cent on September 3, 1974.

In order to meet its developing members' growing needs for external resources, the Bank has continued to seek to enlarge its financial base. During 1974, the Asian Development Fund came into effect when US $236.92 million were pledged to the Fund by ten developed member countries. This represents a portion of the total of US $525 million, which is required to finance the Bank's concessional lending operations up to December 1975.

The Bank has been exploring the possibility of borrowing from oil-producing countries. A bond issue was made in Kuwait in April 1974 for five million Kuwait dinars (about US $16.9 million) at 7.5 per cent. Continuous efforts are being made to borrow from these countries in their national currencies as well as in international currencies. Apart from this approach to new sources, the first borrowing from the Export-Import Bank of Japan was also made in April 1974 for 7.5 billion yen (about US $25.2 million) at 7.25 per cent per annum. The Bank will continue to explore the possibilities of borrowing at reasonable rates from all sources.

The Bank's lending has been increasing steadily. In 1974, loan approvals totalled about US $547.6 million as compared with US $421.4 million in 1973 — an increase of about 30 per cent. Although part of the increase may be attributed to price inflation, the growth in Bank lending is real. At the end of 1974 cumulative Bank lending totalled about US $1.9 billion.

The share of Bank loans extended to the agriculture and irrigation sectors was 24.5 per cent of the total as compared with 11.2 per cent in 1973 and 13.2 per cent during 1968-1972. In addition, about 22 per cent in value of the Bank's technical assistan ce during the year was given to these sectors and is likely to lead to more projects to be financed by the Bank in the future. In the meantime, Bank lending to the industrial sector (not including loan to national development banks) has increased greatly during the year; its share was about 19 per cent of the total, compared with less than 10 per cent in the preceding years. The main reason for this increase is that as a part of its response to the changing economic conditions, the Bank has undertaken financing for the development of local energy resources, such natural gas, for industrial use.

infrastructure loans

With the lending to agricultural and industrial sectors on the increase, the share of Bank's lendings for infrastructural development declined during the year; 14.9 per cent for transport and communication and 14 per cent for power as compared with 29 per cent and 22 per cent respectively in 1973. However, the amount of loans extended to these sectors was still very substantial, and due to the basic need for such facilities, it is likely that the Bank's lending to these sectors will remain at a high level in the years to come. In this connection, it may be noted that the Bank has paid, and will continue to pay, special attention to the development of hydro-power. In 1974, practically all of its lending to the power sector was related to hydro-power development rather than the thermal generating plants of previous years.

While the Bank's operations during 1974 reflect, to a certain extent, the changing economic conditions of the time, no efforts have been spared to improve upon the long-run impact of its various activities. In this regard, it is of particular interest to note that the Bank has put much more emphasis on integrated rural development which aims not only at increasing productivity of the rural populace, but also at providing education facilities, health, housing, and a more equitable pattern of income distribution.

In addition, the Bank has made efforts to ensure that its operations will contribute, as much as practicable, to the well-being of the great majority of people. For instance, the Bank has been more than willing to incorporate any land reform features in an agricultural project provided it is agreed upon by the government concerned. It has also encouraged the provision of water, power and other amenities to the lower income groups at reduced rates, or even free of charge, provided that the basic design of the facilities meets with the minimum standard in the Asian context. All these are reflected, when appropriate, in the formulation of Bank-assisted projects.

The Bank has also endeavoured to extend its activities to what is generally regarded a "social sectors". In this regard, a moderate beginning has been made in the education sector, with special emphasis on vocational education. Even though the scope of Bank's operations in this sector is still limited, a number of preparatory technical assistance projects initiated during the year are likely to lead to more ac vities in the future. In addition, the pos bilities for the Bank to enter into oth fields, such as health, population contr housing and urban development, are u der careful study.

The uncertainties in the internation economic scene have compounded the dif culties faced by the developing countri and threaten to frustrate developme efforts. In the context of its availat resources, and through closer internatio al cooperation, the Bank is committed playing it's part in helping its developi member-countries overcome these difficu ties.

Resources for development

Dr Roger Polgar

I AM very pleased to have the opportunity of making a few remarks on the subject of resources for development. This is, of course, a subject that has long occupied those of us concerned with economic growth. However, I would like to state clearly that these remarks will be made not in my capacity as Resident Representative of the United Nations Development Programme, but as Roger Polgar, even if I have benefitted myself through my professional experience of years of service with the UN system. I would also apologise if my lecture is not at the expected level. I did not have enough time to prepare properly to speak to such a distinguished gathering. Also I may repeat things which have been said before by the previous speakers as I was not able to attend the preceding discusssions.

Now that these matters are out of the way, let us turn to the problem of development. There are fashions in development as in everything else and in the days before population, unemployment and appropriate technology became the panaceas for the skills of mankind, savings, investment, foreign exchange and other resource contraints were the stock in trade of development economists. Development, for all practical purposes, was resources and not much else.

In recent years, the problems of the tax base, of resource mobilisation and resource exploitation have taken second place to the glossier subjects. But now resource constraints have made a comeback. On the one hand the Club of Rome and the UN Environment Conference have reminded us that physical resources are finite and that one day, apparently sooner rather than later, we will run out of raw materials. To give you a scientific estimate, the following are the reserves of some minerals which will be depleted in two or three decades at today's rate of consumption unless science and technology make new breakthrough :

Zinc	20 years
Lead	25 years
Tin	30 years
Petroleum	30 years
Copper	35 years
Uranium	35 years

We should take into account that consumption increases not only because the population of the world increases, but also because due to economic growth individual consumption increases'.

It is well known that the United States of American having about 6 per cent of the world population consumes 30 per cent of world's total energy. It should be obvious that it is impossible to expect that every single person in the wor could have the same standard of livi as the present standard of living American citizen. The resources th are at our disposal are just not enoug It is about the same in all compar ments of what is considered as nece sary by American individuals f their present standard of living.

On the one hand the developing cou tries are demanding a larger share of th world resources on the ground of justic on the other hand, the resources our disposal are not enough to gi to everybody the expected standar of living at least at the western civilisatio level and I am afraid that the wester civilizations are not prepared to accept decrease on what they are now accustom ed to. In fact, what is at stake is the qua lity of life and through that the type o civilisation we have to aim at in th future.

The so-called oil crisis has shaken th western civilisation, but unfortunatel not enough for the governments concern ed to run the political risk of informin clearly their own population about th possible collapse of the type of civilisatio they are accustomed to. It is not enoug to speak about other sources of energ not only because it will take time to de velop a replacement source to compensat r the lack of oil, but also because oil a very easy source of energy to use. ou can imagine a car using petrol but a r using electricity is much more cumber- ome and cannot run very far. Further- ore scientists have already warned that large increase of energy consumption ay pose severe threats to the world. We ave to think about the heat dissipation hich may transform our type of climate. ife has rather narrow limits of range.

Also there are the various problems of ollution — chemical and other types. n increase in the atmosphere of dust ntent may also change the climate and would like to remind you of the recent scussion about the use of aerosols in the SA with the fear that the ozone layer hich protects us from ultra-violet rays om the sun may be dissolved. So while many people are concerned with the day to day problems of survival because they have not enough to eat or because they are sick, I presonally feel that we have to take also the long run problems into consideration. What we do now may have disastrous consequences in the years to come. Fortunately, we are better equipped to foresee the consequences of our act. Nevertheless we will have to face one day or the other the problem of changing our civilization. For instance, scientists in the USA are studying the consequences of increasing the superficy used for agricultural purposes in their own country. The new areas developed for agricultural purposes are marginal soils, but the crops they produce are necessary to feed the world and the techniques used for those lands are the same ones as for the other lands with the result that in a few years they are exhausted and the land becomes a desert. We have seen a similar problem in the Sahel belt.

However, the present situation of the world divided into "haves" and "have nots" cannot continue for long. Therefore, we will have to reach either a dangerous crisis between the "haves" and the "have nots" or, in it is my personal hope, a common agreement for sharing the limited resources of the world. Probably both sides will have to make accommodation to their population and their needs. Probably the "have nots" may have to reduce their population growth and the "haves" will have to reduce their standard of living. In both cases it will not be easy, but it is probably the only way we can foresee a continuation of humanity on earth with the technology at hand.

Opportunities for developing countries

Dr Bharat Ram

WOULD limit myself to some specific sues arising from the large accumula- on of resources in the hands of the il exporting countries amounting to early $ 60 billion a year, $ 40 billion om developed and $ 20 billion from eveloping countries. This redistribu- on of world resources has naturally aused considerable imbalance. In the eveloped countries a recessionary pro- ess is under way and it is not surprising at many of them have started grumb- ng, complaining, accusing and even hreatening. I suggest that one should ook at the issue in a world pers- ective rather than from any group nterests.

The immediate problem created by the ike in oil prices is the sudden imbalance n external payments position of a number f countries. This problem has received vorld attention and efforts are being made o meet it at least partly.

The International Monetary Fund has et up an 'oil facility' to assist members in neeting the initial impact of the high oil ost. Various major oil exporters includ- ng Abu Dhabi, Iran, Kuwait, Libyan Arab Republic, Oman, Saudi Arabia and Venezuela, have extended cooperation in the financing of this facility which started with an initial fund of about SDR 3 billion. Recent reports from Washington indicate that the oil facility in 1975 will be raised to SDR 5 billion. This is, no doubt, good as far as it goes, but you will all agree that this does not really go far enough. The basic imbalance which has been created as a result of the price hike and the diversion of resources has to be corrected in a more significant way so that international harmony is not jeopardized.

Before I express any view about what has usually been described as re-cycling of petro-funds, I would like to emphasize that these funds are not really in the possession of the oil exporting countries. A petro-dollar or a petro-pound is just as much a book-keeping entry as a Euro-dollar is. All that happens is that the dollar or the sterling funds are transferred from one account to another in commercial banks in USA, Britain and other European countries. There is only a change in ownership of bank deposits and not a depletion of deposits as is sometimes the impression. The funds are not taken out of the oil importing countries of America or Europe. The funds are very much there.

In fact, this very situation creates anxiety both for the oil importing countries which are holding the petro-dollars or the petro-Pounds and for the oil exporting countries which do not have these funds in their possession. Saudi Arabia has invested $ 13 billion in the United States. The state of Kuwait has supported the price of sterling by allowing £ 3 billion to remain denominated in sterling. Switzerland has had an inflow of $ 7 billion from petro-funds. Undoubtedly, the sums are large and any major operation can cause vast economic and currency problems.

The fear on the part of the oil importing developed countries is that such transfer may take place any time and put their currencies under great strain. You may recall that about two or three months back a mere rumour that the oil exporting countries were switching their funds from UK to other European countries caused the value of the pound to fall in a very dramatic manner. When such a rumour becomes a fact, you can well imagine how seriously the currency values will be upset. The oil exporting countries may also be under the fear that any large transfer of petro-funds may evoke unsympathetic response from the developed oil importing countries which are now in possession of the petro-funds. They may hesitate; they may regulate the rate of outflow or they may put hurdles in the way of transfer. The Arabs may be put completely at the mercy of the oil importing developed countries who are in physical possession of the fund.

These fears on either side may be real or exaggerated. But the fact is that vast amounts of money are under the ownership of the oil exporting countries who are not in a position to use them for their indigenous development. The scope for immediate large scale industrial investment in most of the oil exporting countries of the middle east is not unlimited in view of the non-development of other sectors of the economy and the extreme paucity of men and materials. Even when all the investments that can be thought of are made in the oil exporting countries, there will still be a massive amount that could and must be put to use. Sheikh Yamani has described this in the following words;

> "The real solution to surplus funds lies in properly channelling them out into world investment opportunity on a long-term basis, spread over as many areas as possible."

the correct choice

Obviously, the choice that is available is whether the funds should be invested in major industrialised countries as they are indeed today or whether they should be used differently. The latter would imply diversion of these funds for rapid progress of the less developed countries. I think it stands to reason that the second choice is preferable from many angles. It will reduce imbalances in the world economic system and bring the developed and developing countries closer together. Even from the point of world growth, investment in less developed countries would be more productive because the opportunities for productive use of capital are far immense. Also from the point of the oil exporting countries diversion of funds to developing countries could mean a higher rate of return and greater commitment of funds in capital assets. I have, therefore, no doubt at all in my mind that a vast and quick upsurge in the economies of developing countries could be brought about without in any way affecting the interest of the oil exporting countries if closer economic relations are built between developing countries and the oil exporting countries which were, until recently, developing countries themselves.

Proceeding on this basis, a point which has to be considered is how this re-direction of petro-funds can be achieved. That is to say, what type of institutional arrangements will have to be made to ensure that the funds are secure and are used productively by the developing countries. Three possibilities can be mentioned: First there can be a direct government to government loan from oil exporting countries to developing countries. Second, the oil exporting countries can make separate institutional arrangements of their own for transferring resources from the industrialised countries and channelling them to the developing countries. Third, the oil exporting countries can make use of the existing institutional facilities such as the World Bank, IMF and the IDA to funnel these sources to the developing countries. Each of these arrangement had its own merits and demerits.

non-economic considerations

Official loans are often influenced by non-economic considerations and, therefore, do not always ensure a proper lender-borrower relationship. It may be possible for the oil exporting countries to devise a new institution which can be run on the lines of a development bank. But this arrangement will, however, take some time before it fructifies and starts giving results. The best alternative, therefore, is to put the resources at the disposal of the World Bank and its associates for being passed on to the developing countries to support their development programme. Being international in character the security of the funds is asssured. Having the expertise, these institutions can ensure allocation of resources for productive use. The same factor will guarantee repayment of loans in time and according to schedule.

While it is desirable that the petro-funds are used by developing countries to finance their development programmes it would also be worthwhile to give some thought as to the areas where these funds can be most productively invested. I would say that in India the scope for investment is immense and would cover both, public sector programmes in the field of electricity generation, transport, heavy machinery etc. and private sector industries such as engineering, cement, paper, steel, petrochemicals, electronics and so on. These industries can be developed as joint ventures between Indian businessmen and their counterparts in the west Asian countries. The joint ventures can be based on partial or complete capital participation
by the oil exporting countries and tech
cal and management know-how fr
India which has been fairly well develop
in the past 25 years. Probably some of y
may not know that we have already start
investing abroad and about 167 proje
have either been completed or are unc
implementation in 19 countries includi
the UK, Germany and Canada. You w
therefore, appreciate that India has
capacity and scope to utilise the pet
funds on a large scale.

I am no doubt aware that the inflow
petro-funds on a large scale would not
feasible or the funds would not be m
productively utilised if our policy fra
is not suitably changed. I believe t
there will have be far greater deg
of flexibility with regard to the form
organisation. India has considera
experience of foreign investment. But
type of association that the oil export
countries, which will mostly be fr
west Asia, will like to have will be di
rent. The foreign investment so far
come from developed industrialised co
tries and was sought mainly for the s
of techinical know-how. But the asso
tion of the middle east countries wil
primarily for utilisation of finan
resources in a manner that would be
mutual advantage.

policy constraint

To promote such type of foreign pa
cipation the policy constraint impo
by the Indian government will have
be modified in a very substantial
I hope there will be no psycholog
or economic obstacles to this des
change because the countries of
middle-east not only belonged,
recently, to the developing world
also because they are far different f
the metropolitan powers. The for
investment policy was consciously or
consciously fashioned to prevent in
rusion of the erstwhile imperial nation
the economic affairs of developing cc
tries. That barrier does not exist in
case of the oil rich countries. India
very friendly relations with most of the
exporting countries and closer comme
cooperation between them can be
easily forged.

The United Nations had adopte
Resolution at the beginning of this de
to the effect that the developed coun
will transfer resources to the extent of
per cent of their GNP. This target
never reached. In 1973 the total flow o
sources from DAC countries was $ 22.8
lion about 0.73 per cent of their GNP.

ll be tragic if this flow is slowed down the ground that the developed count-s are up against problems following the ergy crisis. All the same it will not be reasonable to hope that the oil pricing licy of the oil exporting countries has ened up overnight vastly larger oppor-nities for the developing countries. The surpluses accumultating with the oil exporting countries are of a high order. about $ 60 billion a year. Here is a potential to add to the pool and bring about a radical improvement in the conditions of the world which is today characterised by deep economic differences between countries. It is my sincere belief that the oil exporting countries will work out arrangements which will promote harmony among nations and peace in the international community. The patnership between developing countries and the oil exporting countries is already beginning to take shape, and I hope it will be placed on a permanent and on-going basis.

The scenario for triangular arrangements

J. van der Meulen

THINK we are all agreed that the present isis the world is facing is deeper and aver than any since World War II. It as brought together in an unprecedented oincidence the problems of lagging food roduction combined with unequal distri-ution; sharp imbalances in trade; decline in real terms in development ssistance, uncontrolled inflation and onetary instability and important hanges in the relative economic position f some nations resulting in changes in ternational relations. The shortfalls in od production in 1972 and again in 1974 nd the shortages and high prices of fuel, rtilizers and pesticides have inflated the nport bill of the developing countries. Ioreover, domestic as well as interna-onally transmitted inflaton has added a eavy burden to this bill, particularly now at terms of trade are again turning gainst primary products. The immediate sults of these events have been grave. Ialnutrition and starvation in the low in-ome groups is spreading and becoming a ore extensive problem with long term nplications on future human productivity. he increasing disparity in incomes and ving standards between nations and with-n each nation itself must lead to conflicts nd moral degradation.

djusting to price hike

At the same time, while international ooperation is more than ever required to chieve economic and social development, e developed nations in their attempt to anage their payment situation, econo-ize on development assistance. The oorer developing countries attempt to ad-st to soaring prices of essential imports y curbing development investments, while rrangements for the systematic transfer of resources from the newly rich developing countries are still to be worked out.

On balance, the resources left for development do not appear adequate even to maintain the agricultural growth rates of the recent past which by themselves were not sufficient to provide an adequate diet for all citizens of this world. Therefore, the most urgent problem relates to the management of the immediate crisis, particularly as concerns food and the key inputs required for increasing agricultural production, that is, fertilizers, pesticides and energy. This must be the first concern in any global management strategy if developing countries are not to end this decade in a much poorer position than they were a century ago.

widespread malnutrition

Indeed, amongst us we have now more than 460 million people who are severely clinically malnourished, and probably about half the world population is affected by some degree of malnutrition. Therefore, whenever I have been accused of talking about doomsday, I have replied that for those millions who are starving, doomsday is today, here and now, even if emotionally or politically we are unable or unwilling to accept that fact.

To make any impact on these immediate problems will require new approaches to international cooperation, for shortages of food and fertilizers are affecting both developed and developing countries and thus require for their management sharing of inadaquate supplies as well as arrangements for financing of required imports. The need for global consultations is urgent if supplies are to be adequately earmarked for the needy countries, since the present market mechanism for distribution is unlikely to achieve this. However, even when this is done, there will still remain the problem of financing of the essential imports needed by the developing countries. For example, FAO estimates that the uncovered cereal import needs of the most-seriously affected countries in 1974-75 amount to at least six million tons, costing around $105 billion, including freight charges. International development strategy, as worked out in the past, has not included policies and actions for meeting such short-term emergencies.

special programme

Indeed, the special programme launched by the United Nations General Assembly for emergency assistance to the most seriously affected countries is, perhaps, the first concerted effort in this direction apart from relief efforts for specific emergencies and disasters. However, even this United Nations Emergency Operation has suffered from inadequate support, both on the bilateral and multilateral sides. The Secretary-General of the United Nations has again urged governments of traditional and new potential donor countries to contribute resources to meet the payments gap of the most seriously affected countries in 1975, now estimated to be higher than the previous level of $2.3 billion. FAO would like to add its voice to this appeal and to urge all countries which are in a position to do so to contribute liberally

However, international cooperation has to go much further than emergency assistance to deal with the present crisis. The future of the developing countries requires considerable longer-term investments on development projects and programmes. FAO estimates that the flow of resources from developed to developing countries would have to increase nearly four-fold within the next five years if agricultural production is not to lag behind expected population increases, at the same time making up some of the shortfalls experienced during the last few years.

These external assistance requirements are considerably greater than estimated or envisaged before the present crisis. And while the burden on the developed countries could and should be increased, new arrangements for international economic cooperation are needed, including greater participation by the newly rich developing countries. All this is bitter medicine and it will require strong political will power to swallow it. The alternatives, alas, are worse. There is, in the developed countries still the school which argues "I'm all right Jack" and which hopes that resources will be sufficient to keep their own small prosperous island going at a level to which they have become accustomed in the fifties and sixties. These are the Neo Malthusians who can say to the other half of humanity that there is no room at the table for them.

One can sympathize more with the newly rich who, with their own population still suffering low standards of living, are now already called upon to become major contributors. Yet, there is no choice, for islands of prosperity are strictly temporary and will be swamped by the seas of poverty surrounding them. Finally, some of the strongest political efforts will have to come from the developing countries themselves, for, if they fail to demonstrate their capacity to absorb aid, this will be used as one of the main excuses to limit the flow of assistance. Increasing this absorptive capacity directly concerns domestic policies and structural changes in society. The highest priorities therefore, should be given by governments of developing economies to policies of redistribution of income and the full participation of all their citizens in the development of their society. Only if they can prove that they are making all possible efforts in their own economy will their words carry weight when they are arguing these policies on a global scale.

I would like to conclude by emphasizing the considerable scope that exists fo increased cooperation between the oi exporting countries and the rest of th world, particularly in the form of triangular arrangements. In the last analysis the enormously increased liquidity an wealth of the oil-exporting countrie can only build security for the future i it leads to the maximum increase in production for which the developing countrie appear to offer the largest promise Dr Bharat Ram, has already referre to the return on investments in th developing countries. The develope countries, on their side, will have t play their established role in the transfer of resources, technology and know how, in spite of the crisis of inflation, th slow-down of economic growth and ris of unemployment that they are facing This is the scenario for triangular arrangements for increased international c operation. Indeed, it is only throug bold and imaginative arrangements f intensified cooperation that internation economic relations can achieve the patter that will serve the world in the fourt quarter of the twentieth century.

Removing the debris

P. N. Haksar

IN THE realm of economics there is very little one can say which is new or startling except in a very negative sense. But it is often desirable in human affairs that if we wish to build anew we should remove the debris and this removal of debris itself might be a helpful contribution to designing some new structures.

The history of this little earth of ours since the end of World War II and the path which it has traversed so far is littered with dead and dying hopes and so we might as well remove them. Every war has been followed immediately thereafter by expressions of great sentiments, great feelings. War is always a trauma. We remember that World War I was followed by the expressions of the people that never again it should happen. But it happened. World War II was even more traumatic. That trauma was enhanced to a sharp edge to something new which emerged in the realm of technology of war, about which we are all familiar. There were great hopes of world cooperation. Institutions were founded. But, I am sure, even the financial writers do not write any more unless they are experts in writing and composing epitaphs to Bretton Woods. That is dead and gone.

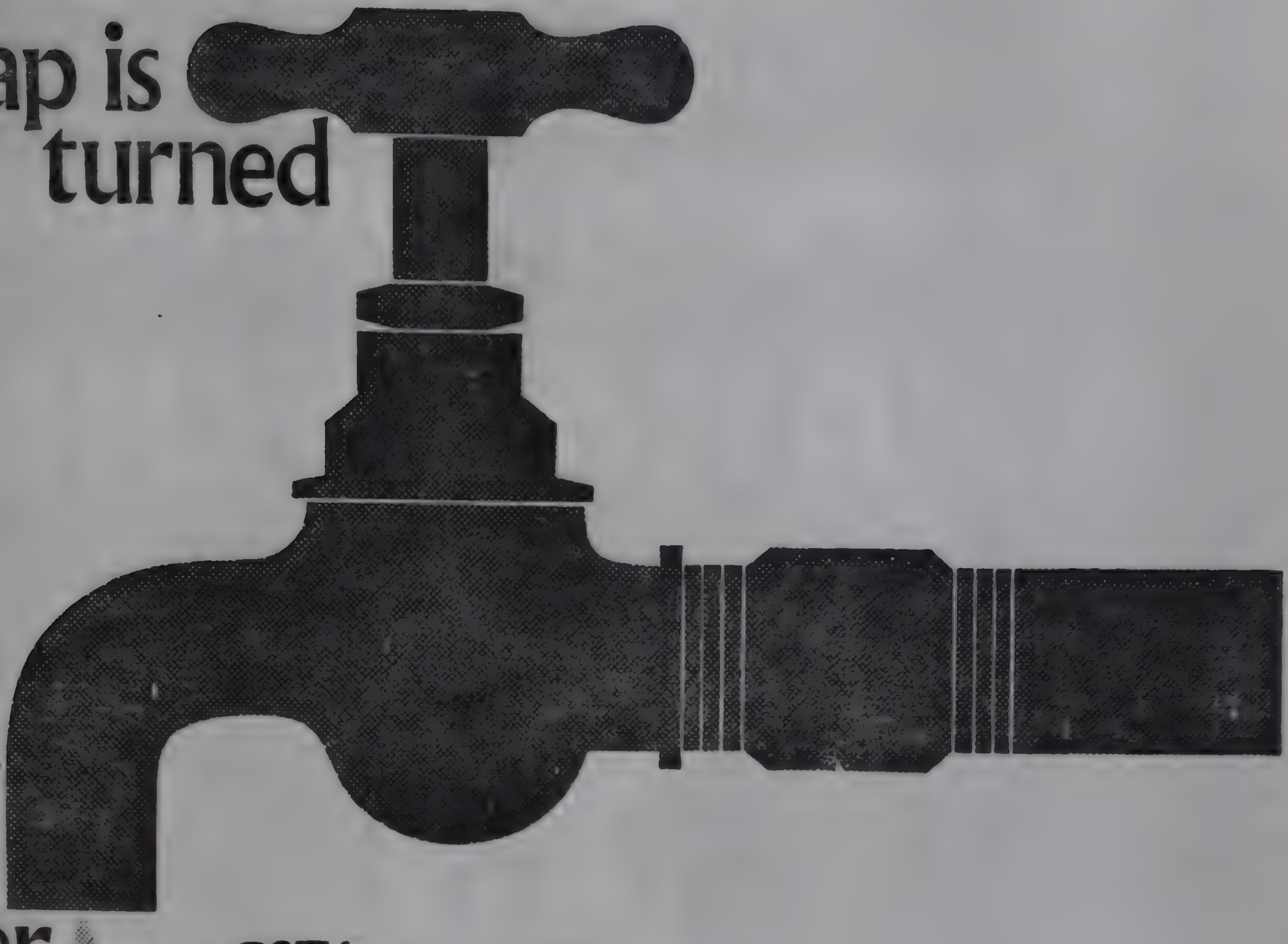
Great hopes were aroused. We talked about the inter-dependence of the emerging world. People talked about the tremendous explosion in science and technology which has brought the world closer together, knitting it together. We talked about world unity, its inter-dependence, and also tried to reinforce that sense of inter-dependence, although we divided the world into the developing and the developed, and in France they even talked about theormon. We have now four worlds. Be that as it may whether it is one world divided into four worlds, or we are going to divide the world further into models or regions, the inter-dependence is still there. In response to this awareness of inter-dependence, the concepts of aid were floated.

There were anxious debates in the United Nations about transference of technology and of capital resources from the affluent to the non-affluent. Earnest efforts were made to create institutions, UNCTAD I and UNCTAD II. As result of this collective effort and wisdo we find that the human affairs are in better shape. We are all in the mi of searching in the realm of economics

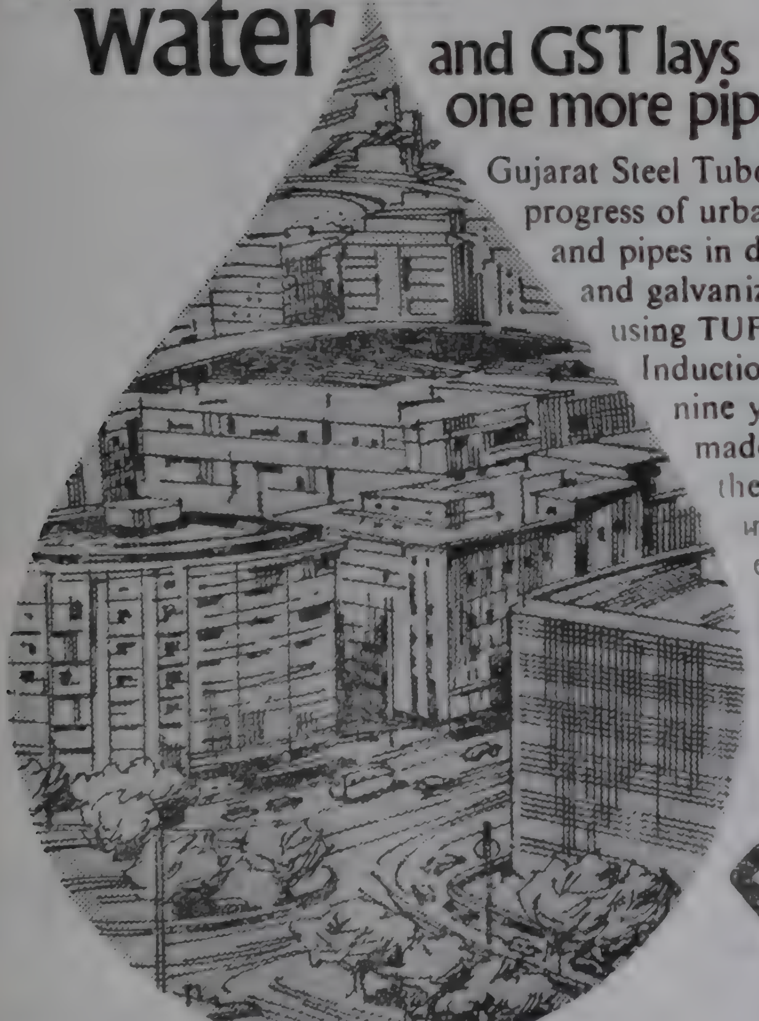
At one stage, it was thought that have acquired insights into develo mental processes, which have turned o to be illusory. Mathematics at one sta entered economics and the economi felt that at least they had somethi precise, measurable and quantifiable. B as I said the other day, the realm economic thought and the reality whi exists are not even tangential. N nobody talks about Phillips' curve Openheim's law. Keynesians and n Keynesians are at loggerheads. We h no solutions to our problems. The c fidence had been shaken even before energy crisis, which loomslarge our horizon.

There is extreme instability in realm of monetary affairs—dollar cri sterling crisis and now of course a n situation, the emergence of petro-dolla I recall a poem written long, long

A tap is turned



A city receives water



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rently by a very prophetic poet, s Macnese who said something to effect that the excess sugar in a etic culture rocks the nerve of life literature. Here, probably we have r, which is a very nice thing, in s of petro-dollars. This excess sugar t not be absorbed by the system, if s not to produce diabetics in the em.

These are the kind of problems we are d with. We realise in India, at any , as you might have seen, those who e come for the first time, here is an n country and an open society; it has ays been so. India has been at the ss-roads of history. So we are accus- ed to seeing, meeting, discussing talking to people. Many have come e from all over the world and orded in detail the life and living our country. This country of mine, pite all the difficulties, is a country of natural endowments. It is a ntry which, despite all that the people ght have written and continue to te, nevertheless sticks along one way another.

Some say that it is a marval of orga- ed chaos but it sticks along — 600 million we manage. Difficulties sometimes arise. We approach them empirically and sort them out. It is not only the natural endowments, vast and varied. it is perhaps the third largest collection of human talent in science and technology. It has developed over a period of a short space of less than a quarter of a century a base of industry, and has made significant attempts to solve some of its problems of an agrarian nature. We are open to ideas, to debates and discussions, I believe that India with its natural endowments, namely, what nature has given and what human skills can provide, is prepared to sit down with its friends either on a bilateral basis or if there are institutional arrangements through institutions to concretely work out how this inter-dependence can be meaningfully converted into plans and projects.

All that I would ask of our friends is to understand that it has to be conceived in long-term perspectives of felt needs. There is no room for gimmickry and that we must not act under mere impulse of the problems of re-cycling as it is called. We are glad that we are ready and we have shown our willingness to sit down. We have done so with our Iranian friends. We are doing so with our European friends to concretely demarcate areas in science and technology and lower down to less dramatic aspects, the problem of of food and agriculture—to sit down and work out trade and by what means we could meaningfully enter into economic, financial and industrial arrangements which satisfy or would satisfy the felt needs of both my country and your country.

We have no other choice left anymore, except at least in the developing part of the world where it is divided into further two sub-divisions — developing countries which are oil-rich and developing countries which are not oil rich and I personally do not accept the validity of that distinction. Nor any more I accept the validity of the argument that all our ills of the world today have a single factor, namely, the oil crisis. I do not accept it. I think if we wish to beguile ourselves, we are welcome to do so and indeed we have beguiled ourselves during the last 25 odd years with various kinds of emotions. But if we realistically look at this picture, I think there is enough scope to concretely work out measures for mutually beneficial cooperation and I as Deputy Chairman of the Planning Commission can give you an assurance that response from India will not be lacking.

Developing countries in world trade

V. Krishnamurthy

WER EQUIPMENT is comparatively more histicated amongst the engineering ods and calls for a higher degree of en- eering and manufacturing expertise. rdly 17 countries in the world would im to have developed this expertise for sign and manufacture of heavy electri- equipment needed for generation, nsmission and utilisation of power. dia is proud to be one amongst these countries; in fact, currently, it has ached a status where it can claim a ace in the first 10.

Till the mid-60's India was totally pendent on imports for power equip- ent. Generating plants such as turbines, ernators or boilers were not made in dia. The electrical industry was produc- g a limited range of lighter equipment for distribution and transformission of power. This included distribution transformers, power transformers, and circuit breakers upto 132 kv range and certain types of small motors.

The responsibility for the development of manufacture of heavy electrical equipment had to be taken by the governmental agencies in India as no private entrepreneur had the necessary resources to develop this highly sophisticated and capital intensive industry. The progress in the establishment of this industry and development of skills has been very rapid and in fact spectacular in the last ten years. From a position of total dependence on imports, India has become self-reliant.

Power development schemes during the 15 years from 1950 to 1965 received little benefit from Indian industry in the form of power equipment. It was only after 1965 that Indian electrical industry played a significant role when the facilities set up by Bharat Heavy Electricals Limited, a governmental agency, started producing heavy electrical equipment. Between 1974 and 1979, over 85 per cent of the equipment required for power generation, transmission and distribution will be of Indian origin. Presently, India is able to meet all the project requirements from internal sources. Sizeable surplus has also been developed and is available in many areas for exports.

The progress on the qualitative side during the last 10-15 years has been remarkable. In the early 60's, the thermal power systems in India were designed particularly with unit sizes of 30MW, 60MW and 100 MW. With the growth of power systems in 70's, larger power units of 200 and 235MW were necessary. India has been able to develop skills for the manufacture of these large size units. In order to meet the future requirement, units sizes higher than 200MW—particularly 500MW units—are under development. The transmission voltage has also gone up from 132 to 220kv and then to 400kv. Here again, the Indian electrical industry has been able to meet the demand for transformers, switchgears and other equipment for extra high voltage transmission.

Within a short period, BHEL received orders and are constructing over 80 generating sets for thermal power station including 25 units of 200MW capacity each. For the hydro-power stations, BHEL are designing and constructing over 100 generating sets; the largest size being 165MW. BHEL are also serving the nuclear power industry in India and are supplying four power units of 250MW capacity each. This is an unparalleled record in the history of growth of electrical industry.

industrial base

When the government of India set up Bharat Electricals for the development of electrical equipment in the country, there was hardly any industrial base from where design or manufacturing expertise could be drawn. A number of problems had to be faced in the setting up and operation of the plants at Bhopal, Hardwar, Hyderabad and Tiruchirapalli. Trained engineers and technicians and artisans were not available. In developing the engineering capability and manufacturing expertise in each of these lines of production, BHEL have had the benefit of collaboration with specialist organisations in the world. Thus, it works with the leading organisations in the United Kingdom, France, Italy West Germany, Switzerland, Sweden Czechoslovakia, Soviet Union and United States of America. The facilities at these manufacturing centres and the skills developed can stand comparison with the best anywhere in the world.

Many fresh engineers had to be inducted and sent to different design organisations and manufacturing works in Europe and the United States. Many have been trained for as long as 36 months. Training centres were also established in India even before these manufacturing plants went into operation. In the peak period, training was given to nearly 4,000 artisans and 400 technicians simultaneously. Because of these efforts, BHEL is in a happy position to engage over 3,000 qualified engineers, over 4,000 technicians and 12,000 skilled artisans specially in the design, manufacture, assembly and commissioning of power equipment. It has been a great effort on the part of India and BHEL to reach the strong position of being the largest engineering industry employing over 50,000 men.

engineering expertise

Besides the equipment needed for power generation, BHEL also makes a wide range of industrial equipment such as electrical drives, railway traction equipment, centrifugal compressors, pumps, transformers and switchgears upto 400kv class, rectifiers, capacitors, industrial and process boilers, electrostatic dust collectors, industrial ventilators, soot blowers, valves for steam, gas and oil, mines, etc. These are used in petrochemical and fertilizer plants, oil refineries, mining, sugar, steel, paper industry and railways. India has now reached a very strong position in the design and supply of these products, Here again the engineering capacity and manufacturing expertise were developed in India within the last ten years. Some of the equipment is manufactured only by a few organisations in the world. For example, the large steel mill drives, high pressure ammonia synthesis compressors and recovery boilers require a very high degree of engineering expertise possessed by very few countries.

Manufacture of components for nuclear power stations have also been successfully established recently. Manufacture of oil drilling rigs, both for onshore and off-shore operations, has also been taken up as a part of this engineering complex. For each of these products, separate facilities have been set up to take care of product and process development.

In order to play a larger role in the energy development, this industry holds a good team of engineers and technicians trained in the total project engineering and construction of large power stations and also for providing specialist services for spare parts and special maintenance. I would like to reemphasise that out of the so-called less developed countries in the world, India is the only country which can
claim the possession of expertise
the manufacture of such a wide ra
of power and allied equipment. T
expertise not only extends to design
manufacture of the equipment but
in setting up power stations, commissi
ing and post-commissioning services.
1974, BHEL supplied over 30 ge
rating units totally to about 3,000M
for various power stations in the co
try. Till recently, the average ann
addition was hardly one-third of
quantity.

During the fifth-five year Plan per
extending to 1979, over 16,500MW
generating capacity will be added to
Indian power systems. Bulk of
would be supplied and serviced by Ind
industry. In fact, the capability to p
duce power generating equipment is e
greater than the projects taken up
India during this period. Most of
equipment would be supplied ahead
schedule and within three years out of
five-year period. This leavese norm
scope for meeting the requirement of o
countries needing similar equipment.

ambitious plans

The oil producing countries and o
developing nations in Asia and Africa
very ambitious plans for power deve
ment and industrialisation to raise
standard of living of the people in th
countries. Electricity plays a very
role in such attempts and in this f
India will soon be in a position to
vide assistance. Having been simil
placed and passed through a
cult phase of development, India c
well appreciate the aspirations and n
of such developing countries and w
be willing to offer their services for co
ltancy and construction of power sta
and more importantly the trainin
people from the developing countrie
operation and maintenance of the p
stations and industries. In this con
the recent work undertaken by BHE
revamping the hydro-power statio
Afghanistan would be a good examp
cooperation between developing c
tries.

I could see distinctly three ac
tages in the cooperation bet
India and other developing cour
in the far east, middle east as
in Africa, India is in a position to
equipment of required quality for p
generation, transmission and utilisati
a fair and competitive price. I may
an example to prove this point. Ti

tly, the electricity board in Malaysia s dependent on Japan, the United King- m and continental manufacturers for uipping their power stations. For the st time, India offered steam generators their 600MW power station, the lar- st in that country. The National Elec- city Board of Malaysia were able to t the same equipment from India at ostantially lower price than what ey would have paid to their traditional ppliers. In fact BHEL was officially mplemented by the Malaysian autho- ies for having helped them in keeping wn the run-away cost. I am also happy say that this job was completed to the ll satisfaction of the National Electri- y Board of Malayasia and supplies of HEL were well ahead for the others om more advanced countries.

The second advantage is that India is ble to provide equipment of the appro- iate size needed for the developing d small countries in the middle-east and far-east. Most of the manufacturers in advanced countries have gone for larger units—500MW. 800MW and 1,000MW. Many are no longer interested in the manufacture of smaller and medium size sets which are most appropriate for the developing countries. Even if the manufacturers in such advanced countries are in a position to meet the initial needs, there is a danger because of their inability to service their equipment over a period of time when they would have gone away from the manufacture of these small and medium range equipment. Here I see a distinct advantage in associating the Indian industry with the needs of the other developing countries.

The third advantage in dealing with India would be the provision of trained technical personnel for meeting the initial requirements of developing countries and at the same time providing training facilities for the engineers and technicians of these countries. This is very important for the effective use of the new assets that are being created by the oil producing countries at a much faster pace. Here again, I would recall a fine example of collaboration between the National Electricity Board of Malaysia and BHEL where the engineers of Malaysia were trained in the designing, operation and maintenance of boilers.

Different possibilities have been put forward by eminent men for the institutional arrangement that could be made to ensure that large funds available with the more advanced countries as well as oil producing countries can be used in the most beneficial manner to the mutual advantage of the world community. After examining these suggestions a suitable formula acceptable to the people of all counries should be proposed with a view to promoting better relationship and balanced development and reducing the gap between the richer countries and those who are not so affluent today or are gravely affected by the recent economic crisis.

Long-term linkage in fertilizer industry

K. C. Sharma

ERTILIZER INDEED is a key material hich can present the type of prob- ms which we have been discussing re. I am the head of one of the premier rtilizer manufacturing concerns in India aving a very large design and engineering ganisation. We are in a position today design and engineer not only large rtilizer plants but a number of chemical lants also.

The Fertilizer Corporation of India CI) and the fertilizer industry in neral has contributed to a great tent in the development of the machine- uilding industry such as Bharat leavy Electricals which has manu- ictured the heavy compressors required r the fertilizer industry. Similarly both the public sector and the private sector achine-building capacity has been built p. Under the Fertilizer Corporation to- ay there are 13 different projects at vari- us stages of construction and commis- oning. Apart from that there are a umber of other fertilizer manufac- uring projects, under construction in the ountry.

In spite of all these major efforts, India is still short of fertilizer for many years to come. Not only India but the whole of the developing world will continue to suffer from a shortage of fertilizers. Since the developing countries primarily depend on agriculture as a source of development and since their population is increasing at a fast rate, they will have to increase their agricultural output more and more in order to feed the increasing population. Until agriculture is developed to the maximum extent in the developing countries there is the danger of instability. In this context, India can play a very important and leading role in the development and production of fertilizers for the needs of the developing region.

The fertilizer industry has followed a cyclic phenomenon for the last several years. In the early sixties there was a cycle where there was tremendous growth and investment in the fertilizer industry. Then there was an era of overcapacity. The prices have been fluctuating from time to time. The result has been that the developing countries have been depending for their major requirement of fertilizers on the surplus of the developed countries. Even though the developed countries exported hardly seven to 10 per cent of their production, its non-availability in scarcity conditions has determined the price with the result that the developing countries have been almost exclusively at the mercy of the developed countries for the supply and use of fertilizers.

I will briefly indicate the type of cycle the fertilizer industry had has followed. The world fertilizer market was relatively stable during the 1960-65 period. In the first half of the last decade, there was an expansionary phase, characterized by a strong investment cycle. There were a number of reasons which favoured this considerale investment at that time. Among these were: (1) drought causing food shortages in certain areas of the world, stimulating food exports by producing areas which led to the expectation that there would be a rapid growth in fertilizer consumption in the developing nations, particularly in the heavily populated countries of Asia; (2) tremendous advances made in technology towards large-scale single stream plants, cutting down costs on investment and production; there were also remarkable developments in specialised transportation and storage facilities, also resulting in lower cost per unit of output; and (3) favourable climate for financial aid to finance fertilizer sale on aid or credit terms.

But, in the latter half of the last decade, the downward trend had commenced. Nature played its part with favourable weather conditions and the growth rate of fertilizer consumption came down. In the developed countries fertilizer consumption growth rate dropped to seven per cent per year as against 10 per cent in the earlier years. In the developing countries, though fertilizer consumption grew at a more rapid rate, the massive increases in consumption did not materialise. In the meanwhile, the availability rose considerably on account of the coming on stream of the new capacity installed in the earlier years and, further, from the availability of large quantities of ammonium sulphate as a by-product in the manufacture of synthetics, particularly caprolactum. The result was an over-supply of fertilizers with low prices, distress selling and poor return on investment. The prices which prevailed in the expansionary phase and the downward phase in the last decade reveal the situation. In 1965, urea export prices were between 90 and 100 dollars per tonne, but by the and of 1970, the prices had slumped to about 45 dollars a tonne.

continuing shortages

When this situation arose, investment fell, old and inefficient plants were closed down and new projects were either postponed or abandoned. When the demand surged once again in 1972-73, there was no additional capacity readily available to feed the market. These shortages continue even now for a variety of reasons, the more important being: projects in developing countries have been delayed. Many operating plants have a low capacity utilisation. It has been estimated that, if all plants had operated, at full capacity, there would have been an additional five million tonnes of nitrogen available in 1973 — 16 per cent, above actual consumption in the world.

Very little expansion has occurred in the USA, Japan and western Europe in the recent years, while their own internal demands have increased.

Among these demands is the increased use of urea and nitrogen compounds for animal feed, particularly in the USA. Last but not least, there are shortages of feedstock, particularly naphtha, andtight pollution standards as the world grows more concerned with the environment and its ecology.

With the shortages as stated above, the urea prices rose to 150 to 200 dollars per tonne by the beginning of 1974 and today they have now reached nearly 400 dollars a tonne. This situation is indeed grave for the developing world because it has continued to depend upon industrialised nations for a substantial share of its fertilizer supply—nearly 50 per cent in the early sixties and almost 40 per cent in 1971-72,—though the imports by developing countries from developed countries was only seven to 10 per cent of the fertiliser production of the latter during the last decade. Thus, the availability of fertilizers on worldwide basis, which had been taken for granted in the past, no longer exists and, currently, the world fertiliser market is a seller's market.

prospective demand

Let us have a look at what the demand is likely to be by the end of this decade and how production capacity will match it.

At the beginning of the last decade, in 1971-72, the demands were: 33.7 million tonnes of nitrogen for the world, nearly three times the figure for 1962. By 1980-81, the world demand for nitrogen is estimated at 62 million tonnes, an annual growth rate of 6.9 per cent, a much lower growth than recorded for the earlier decade at 11 per cent. Of this, 40 million tonnes will be in the developed countries (the USA, western Europe, Japan and the USSR); six million tonnes in socialist Asia and the rest in the developing countries. As regards phosphatics the world figure should rise from 21 million tonnes in 1971-72 to 34 million tonnes in 1980-81, a growth rate of 5.3 per cent per annum lower than that recorded for the earlier decade at 7.2 per cent per annum. Of this, 25 million tonnes will be in the developed countries, two million in socialist Asia and the rest in the developing countries. A "production gap" in the developed countries themselves is on the cards by 1980-81 where production capacity may not exceed 35 million tonnes nitrogen and million tonnes phosphatics. The possibil ties exist for developing countries (in t Persian Gulf) to export intermediates ammonia and wet phosphoric acid to the developed countries, particular in view of the growing demand in no fertiliser uses of ammonia (industri uses) and phosphoric acid (animal feed detergents).

Shifting the emphasis to the developi countries, the consumption of nitrog and phosphatics is estimated to rise fro 8.6 million tonnes of plant nutrients 1971-72 to 22.6 million tonnes in 1980- at an annual growth rate of 11.3 per ce per annum. By this time, nearly tw thirds of the consumption will be in s countries — India, Brazil, Turkey, Pak tan, Mexico and Korea.

largest consumer

Amongst these, in view of its area a large population India is by far the larg consumer of fertilizers. Currently in t developing world. India's consump is 30 per cent for nitrogen and 20 per c for phosphatics; by 1980-81, India's sh will rise to 39 per cent and 34 per cent r pectively.

As against the projected demand 22.6 million tonnes, the estimate of av able domestic production by 1980-81 11.4 million tonnes of nitrogen and ph phatics. Thus, the production gap the developing countries would amount nearly 11 million tonnes. This gap wo have to be met either from new prod tion capacities or from imports. In t calculation, one must also note that so developing countries in the Persian G may be exporting intermediates to developing nations in which case the p duction gap will further widen. It n also be noted that nearly 70 per c of this production gap would rel to Asia and the middle-east.

It has been estimated in a World Ba study that a new plant investment of least five billion dollars would be requi to meet this production gap of wh roughly 70 per cent would be for nitro fertilizers alone.

Given the two premises:

(1) a demand of 22 million ton plant nutrients by 1980-81 in developing countries.

(2) a level of five billion dollars investment for meeting this targ

could consider how and where this stment has to be made.

asically, there are three alternatives:

1) Domestic production.
2) Import from developed countries.
3) Import from developing countries having abundant raw materials.

n a choice, both financial and econo- considerations have to be weighed against the other. Foreign exchange- ances, indigenous resources in the lar- developing countries in equipment, nagement expertise and labour, urance of stable and secure supplies as policy objective will all play a part in decision. Further, monopolistic ten- ncies on the part of producers may ng in unrealistic pricing unrelated to l costs.

Between developed countries and de- oping countries with abundant raw terials, factors such as lower raw ma- ial costs and proximity to markets in veloping countries may still not be ally attractive compared to low invest- nt costs and higher capacity utilisation developed countries.

On the balance, however, when imports to continue the possibilities for such ports from developing countries with undant and cheap raw material are ighter, considering the "production p" envisaged in the developed nations emselves by 1980-81.

ew capacity

A case also exists, on economic grounds, r installing new capacity in developing untries which may not have the pre- rred feedstocks in abundance but have a large ready market, with internal cilities and access to alternative raw ma- rials.

Considering these two possibilitis, pro- ction centres at raw material sites would Venezuela, Nigeria, the Persian Gulf untries and North Africa for nitrogen, rely export-oriented. Bangladesh would limited by gas availability to about two rge export-oriented plants. Indonesia s also the potential. For phosphatics, port-oriented locations would be Florida hd west Africa largely with lower poten- al from north Africa and the middle- st (Jordan).

Considering new capacity in the consuming countries themselves with large markets but without natural gas or phosphate resources, establishment of phosphatics based on imported rock or phosphoric acid can be economic, specally when they are situated far away from phosphate resources. As regards nitrogenous fertiliers, urea is now the most common and widely accepted nitrogen fertiliser and will account for 36 per cent of the total world nitrogen capacity in term of ammonia by 1977. But urea production is through interaction of ammonia with carbon-dioxide which is itself a by-product in the production of ammonia; consequently urea cannot be produced at a reasonable cost from imported ammonia.

Countries with large built-in-markets, can put up inland plants with imported fuel oil, the cheapest petroleum feed stock, more easily available because of higher sulphur content and resultant problems in its effective use in industrially developed and ecologically motivated countries. This is the genesis of a string of fuel oil based plants now under implementation in India. Similarly, ammonia and urea may also be produced from local coal at a cost competitive with imported urea.

role of coal

With the energy crisis, more and more effort is now being put in on a global basis to exploit coal as an important energy source. Inorganic fertilisers are the largest energy consuming input into agriculture and nitrogen fertilisers account for about 87 per cent of the total energy that goes into fertilizer production. Coal, as an energy source, is receiving greater attention than ever before. This lowly fuel is one of the prime natural endowments of India and if developing countries have to plan their development on resource-based approach rather than a need-based approach as a policy, then such a policy was foreseen in India and in 1969 a decision was taken to implement three large-sized coal-based fertilizer plants (based on indigenous coal) and locating the plants at pitheads. Later, South Africa also went ahead with a coal-based plant. After 1973, this approach has received the support of aid-giving institutions such as the World Bank. Even for fuel oil-based plants they were examining the possibilities of extending aid. They had suggested a study for building into the plant facilities for later changing over to coal when coal would be mined and readily available in the quantities required. In fact, they have recently concluded in clear terms that coal may become a more attractive feedstock, as gas and oil-based feedstock prices increase, reflecting their scarcity value. In short, local production of fertilizer's intermediate and end-products is justified in many instances by economic factors specific to the consuming country and as an insurance against total dependence upon a possibly uncertain international feedstock and end product market.

local raw material

Even in phosphatics, for large countries such as India or Brazil, local rock, though inferior in quality, could be processed locally for end-use with economic advantage compared to imports. When discussing phosphatics, I would like to refer to the production of nitro-phosphate in preference to ammonium phosphates in developing countries which do not have domestic resources of sulphur. Production of nitro-phosphates can minimise or even eliminate use of sulphur. Most of the controversies over their efficacy have been laid to rest; even if some of it lingers, in a developing country, one need not have the best, the second best will do if it is on a resource-based policy and not on a need-based policy.

In addition to the two areas/groups of countries discussed for new investment, a third area, much talked about and discussed, is the promotion of a new pattern of fertiliser production and trade through cooperative ventures between developing countries. Considering the geographical distribution of sources of fertilizer raw materials, locations of the larger markets and the technology available for dividing the production processes between intermediates and end-products, there could be a viable basis for a wide range of cooperative ventures, linking developing country producers and consumers with the participation of expertise from the developed countries for technical know-how.

Such joint ventures can be worked out and undertaken between (a) countries having raw materials and captive consumer countries — this would cover production of ammonia and phosphoric acid in producing countries and exporting these intermediates for the production of comlex fertilizer in the consuming countries, and (b) export of finished fertilizers from producing countries to consuming counries for which the link-up would be between the exporting countries themselves.

The following group in (a) would

appear to be feasible as identified by the World Bank study and mutually advantageous:

Nitrogen

Venezuela — Central America
Western South America
Nigeria— Eastern South America
Persian Gulf countries—India
Bengladesh—India
Indonesia—Malaysia, Philippines, Thailand

Phospate

Morocco—Southern Europe
Tunisia—India, Pakistan
Joidan—India, Pakistan
Spanish Sahara—West African countries,
Togo, Senegal—Eastern South America.

As regards (b), the possible areas of cooperation would be between Nigeria and the phosphate producers in west Africa, the north African oil producers and the north African phosphate producers and the Persian gulf countries and Jordan.

cooperative endeavour

In India, this particular approach towards cooperation is being followed up vigorously with friendly neighbouring countries in the Persian Gulf as also Bangladesh.

Another area, receiving more and more attention, is the total potential availability of organic fertilizers. In 1971, the nutrient value of the wastes in developing countries was estimated at 103 million tonnes, eight times the quantity of nutrients consumed as inorganic fertilizers. In China, it is reported, two-thirds of the plant nutrients applied are of organic origin. Plants are being developed for the processing of organic waste — for hygienic disposal, organic fertilizer production, methane gas production and recycling salvageable materials (e.g. metals) in one and the same plant. Though the cost/benefit ratio of organic fertilizer application has been poor, with the rapid rise in the cost of chemical fertilizers and the proven effectiveness of combined use of organic and inorganic fertilizers, this particular usage will gather momentum in the developing nations. In India, the potential availability of plant nutrients through manurial resources like composts, sewage and sullage has been estimated at 2.7 million tonnes of nitrogen, 1.8 million tonnes of P_2O_5 and 1.8 million tonnes of K_2O or more than six million tonnes of nutrients. The fifth Plan calls for harnessing these resources — 7.5 million tonnes of urban compest, 350 million tonnes of rural compost and sewage and sullage. Additionally, the Plan calls for installation of a large number of gobar gas plants which would also yield good quality compost.

Considering that the gestation periods of new projects are anywhere between 3 to 6 years, some action in the short-term to alleviate the immediate problems are called for. I had mentioned earlier that proper capacity utilisation of running plants would by itself have contributed an additional five million tonnes of nitrogen in 1973. A recent survey indicates that capacity utilisation in developing countries was, on the average, below 55 to 60 per cent of rated capacity in 1971-72. There are a number of reasons such as feedstock shortages, power outages, shortage of spare parts, lack of preventive maintenance, lack of trained manpower etc. Whatever the reasons be, there is ample scope for improving upon onstream factors. In India, some plants could have produced to capacity if it were not for problems in power supply; action is underway for installing protective in-plant power wherever possible. "Debottlenecking" programmes have been taken up in a number of plants to utilise spare capacities with balancing equipment.

Another area for action would be towards speedier implementation of new capacities under construction. This is particularly applicable to India. Right now, there are nearly half a dozen projects under implementation in India with loans from the World Bank. Most of the procedures in the implementation of such projects are geared towards a practically realisable but tight time-schedule; it would be worthwhile to have these features built into project execution taken up with other means of financing, the main features of which are: foreign exchange release and import licence in bulk and freedom on choice of supplier — Indian or foreign — to market schedules.

All these measures and more arc necessary if India is to come out of the woods on the fertilizer front. Against the consumptions projected for 1980-81 at 6.4 million tonnes nitrogen and 2.86 million tonnes phosphates, a deficit is also antici pated at 2.42 million and 1.83 million respctively. These gaps have to be met Three urgent measures called for are first, capacity utilisation to be brough up to at least 85-90 per cent; second the new capacities under construction t be brought on line in the quickest pos sible time and gestation periods cut dow drastically; and third, decisions on ne capacities to bridge gaps to the exter decided by availability of resources to b finally available by 1976-77.

A few years ago in the middle-ea

Eastern Economist Annual Number 1975

This special issue, dealing with "inflation in the world economy," discusses in depth and detail the major economic developments and trends in recent years which have resulted in or contributed to the problems of economic stability, growth or development which the countries of the world face today. The economic situation in different parts of the world is described and analyzed and profiles are presented of a large number of national situations. India's own economic circumstances and prospects are viewed in the larger world perspective as well as in terms of its own specific problems and requirements. The annual number is illustrated with analytical and descriptive charts and statistical tables. Priced at Rs 15 per copy this special publication is on sale with leading booksellers and it can also be had directly from :

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ountries when large plants were built, if ou suggested to any of those people to t up new capacity, they were hesitant ecause they had lost heavily due to the all in the price of fertilizers. Prices came own entirely because of surpluses in the eveloped countries. Now, investment is ot forthcoming because nobody is sure hat is going to happen in the next five or ight years. However, if the manufacturer is ssured of a suitable market on reasonable rices for a longer period, and the consuming country is assured of the supply, it would be certainly in the interest of both if the resources can be invested for the manufacture of fertilizer on a long-term linkages. There are problems of resolving long-term linkages in determining the price because the countries which have the resources to develop fertilizer capacity have asked for a reasonable return for capital. It is a reasonable demand to which any country should agree but simultaneously they do want to take advantage of the scarcity ~~condtions~~ which may develop from time to time. If we can get over that difficulty, may be we can develop a formula which can be of advantage to both. I think the fertilizer industry is at least one area where concrete linkages and proposals can be mooted in the developing countries so that the developed and the developing countries join hands to work out long-term plans.

Manageable financial adjustments

W.M. Gilmartin

PROPOSE to talk about the subject of nternational cooperation and foreign id. I will try first to give some backround on the state of international aid n the period which preceded the revoutionary price developments of recent imes and comment on the impact of hese price changes on the developing ountries and their aid requirements. I ill then note some of the implications of ll this for international aid relationhip.

As you all know very well, aid nthusiasms were already dwindling well efore the oil crisis. The late 1960's and arly 1970's were, as you remember, a eriod of so-called aid fatigue. It was nanifest in the developed countries by ncreased questioning of the necessity nd even the effectiveness of continued id; and in the developing countries by ncreasing dissatisfaction with the kinds t international relationships and attiudes that accompanied aid. The consequnce was declining aid contributions from ome of the developed countries, and in ndia and elsewhere, a preoccupation with international self-reliance as a deveopment objective. During this period, as Dr. Bharat Ram has indicated, internaional capital flows to developing countries did continue to rise to more han 20 billion dollars a year of which lmost half consisted of concessional inancing, otherwise known as official deveopment. assistance. Despite the increaes, however, official development ssistance was a declining share of total capital flows to the deveoping countries. It was also declining as a percentage of the GNP of the developed countries. In the OECD countries it had fallen by 1973 to only three-tenths of one per cent of GNP. This was less than half the recommendations of the United Nations and the Pearson Commission. Furthermore, the nominal increase in aid flows disguised the fact that in terms of actual resources, that is in aid flows adjusted to price changes, the level was actually declining. In 1973, the last year of the pre-OPEC era aid flows dropped in real terms by about 6 per cent. This was the state of world assistance to the developing countries on the eve of the oil price upheaval.

Before these abrupt price changes, the World Bank had made some assessments of prospective concessional aid requirements of the developing countries for the period up to 1980. With allowance for moderate inflation, they had estimated needs for concessional aid as rising from about an actual 9 billion dollars in 1973 to about 14 billion dollars by 1980. Now in the light of recent price reversals for a large part of the developing world and prospects for greater inflation than previously assumed, it is roughly estimated that minimum concessional aid requirements necessary for only very modest advancement among the poorer of the developing countries will by about 1980 be almost 25 billion dollars or over 10 billion dollars more than the assessment of two years ago. In other words, with all these recent price developments and price prospects, the minimum requirements for essential aid of a concessional nature seem likely in the not too distant future to be considerably more than twice the actual level in 1973. Furthermore, I want to emphasise the minimum nature of these estimated requirements for the poorer of the developing countries with per capita incomes below 200 dollars. These are the countries which Eric da Costa has described as the Fourth World. For more than a billion and a half of population living in this Fourth World these aid assessments assume barely adequate adjustments for inflation and a growth of income only slightly ahead of the prospective growth in population. Obviously in this hardly promising outlook one could expect little improvement—perhaps even deterioration—in the lot of the large proportion of this Fourth World population living in absolute destitution.

If one were to assume some significant improvement in the per capita incomes and in the income distribution of these one and a half billion living in the poorer developing countries, it has been estimated that the external concessional capital requirements by 1980 would be far larger—something in the order of 50 billion dollars or more than three times the 1973 level. Obviously there is little precision in this kind of forecasting. It does however reflect the kinds of concessional aid magnitudes which would have to be faced if significant external support is to be provided for development efforts despite the severely adverse shifts which have taken place in the terms of trade of most of the developing world.

There is the danger in all this that

one's first reaction to these figures taken at their face value is apt to be a feeling of futility in the face of their seemingly unmanageable magnitudes. Yet what I wish particularly to emphasize this morning is that such magnitudes as these need not be unmanageable in the context of a practicable and forward looking effort of international cooperation in adjusting to the sudden alternation of international financial relationships. I would assume of course that any such adjustment would take account of the poorer developing countries and their needs as an essential part of the considerable financial adjustment problems of the whole world. In looking at this world adjustment problem as a whole, the first prerequisite is to get used to, and not be put off by, the much larger figures of international trade and international capital flows than those to which we have become accustomed in the past. In today's world of international trade, capital flows and indebtedness, 60 billion dollars is not all that staggering. Of course, in terms of financial magnitudes the financial adjustment requirements of the developed world are far greater than those of the poorer developing countries. Yet it is the latter which seem likely to be less tractable but no less essential, as Mr. Lall has so convincingly emphasized, to any accepatable world-wide adjustment.

assessment of problems

In this connection, it is important first to attempt some assessment of the adjustment problems of the developed countries and to consider whether or not they are really so serious as to preclude an adequate margin of continuing concern for the Fourth World. Recent examinations of the adjustment problems of the developed countries. especially by Hollis Chenery, the well-known World Bank economist, and others, have indicated that the debts they are likely to incur to the oil exporters over the next several years are not all that staggering in relation to their prospective gross national product nor to their prospective export levels. This is of course on the assumption that the industrial countries will respond to these international adjustment problems with policies designed to encourage the further expansion of real income and international trade in an atmosphere of international cooperation and mutual support rather than of competitive contraction. Examination of the problem in this context indicates that with this kind of a dynamic approach. both internally and internationally, the problems of oil financing are quite manageable within levels of debt and debt service which, relatively, are considerably less than the debt burdens now carried by a great many developing countries. Hypothetical debt service calculations in a forward moving international economic context indicate that additional debt service because of oil financing for the OECD countries of Europe and Japan need be less than 2 per cent of GNP and well below 10 per cent of exports by about 1980. Furthermore, the bug-a-boo of dominant OPEC investments in the developed countries has certainly also been greatly exaggerated.

mechanism for recycling

All this is meant to indicate that the adjustment problems of the developed world are eminently manageable. This is not meant of course to minimize the problems that will have to be solved along the way—both internally and externally—and the needs that will have to be met for mechanism which can recycle oil money effectively and with due concern for the weaker among even the more developed countries. Nevertheless, it appears definitely feasible to manage these international financial adjustments in a spirit of international cooperation and in the context of international mechanisms designed to meet what has become known as the recycling problem. It is also clear that such adjustments are possible with ample room for the world's affluent—the developed and the oil exporting countries—to earmark that small part of their income needed on favourable terms to help the poorer countries in their development efforts.

As you know, there have already been a number of suggested machanism for dealing with these international adjustments which would include either directly or indirectly provision for the requirements of the developing countries. So far however we seem a long way from recycling arrangements adequate to the needs of the Fourth World. The particular difficulty of this problem is that as yet the availability of accumulating oil funds is for the most part on terms which the poorest of the developing countries are not likely to be able to afford on the scale required without accumulating unmanageable burdens of external debt. Hence, for the large number of the very poor in the world, their external aid requirements remain still in a state of deliberation and uncertainly. There are nevertheless hopeful moves in the right direction.

Taking the World Bank Group the total of operations amounted in the year ending June 1974 to 4.5 billion dollars which was an increase of about a billion dollars over the previous year. World Bank Group commitments to India, mainly IDA credits, have been running in the order of half a billion dollars and this year it may be somewhat larger than that. Of the 4.5 billion-dollar total, the commitments of the World Bank itself were 3.2 billion, those of the International Development Association were 1.1 billion and those of the International Finance Corporation were about 200 million. Since oil and other terms of trade adjustments burst on the scene, Mr McNamara's assessment of World Bank /IDA requirements for the coming five years 1975-79 is 36 billion dollars. This would make allowance for the world price increases, bilateral aid uncertainties and a relatively growing role for the World Bank Group.

practicable proposition

This figure of 36 billion dollars may b compared with 16 billion dollars in th preceding five-year period and thus woul represent an increase in money terms c 125 per cent. However, taking accour of actual and likely international pric developments the increase in real term would represent only something like 4 per cent or considerably less than th rate of increase that the World Ban Group was able to achieve in the pre ceding five years. Nevertheless such a achievement would represent a ver substantial contribution to the conce sional financing requirements of the d veloping countries in the years ahea and a considerable role in that part the recycling process directed to th end. In the latter respect. the Wor Bank is already making a substanti and rewarding effort to increase its bo rowing in the oil-producing countri as well as in the developed countrie Meanwhile the operations of the ID are expected to expand and it is mo encouraging that IDA funds have no been increased for the current thre year period to four and a ha billion dollars which is fifty per ce more than in the preceding thre years. It is indicated earlier that the pr

m still to be worked out is how to
pply funds, as in the case of IDA, on
ms that poorer developing countries
afford and on a scale to match their
eds. Ways of ameliorating this problem
some degree are now under considera-
n by the World Bank Group and in-
de such possibilities as adjusting
riods of repayment of World Bank
ns according to the means of borro-
rs, and examining possibilities for
bsidising World Bank interest rates
cording to the differential needs of de-
loping countries.

Very important additional financing
also being made available by the oil
porting countries to the International
onetary Fund for helping countries
meet their oil purchasing problems. As
u know the Fund has established
at is known as the IMF Oil Facility
th an initial amount of over 3 billion
llars. India in the past year has
wn more than 200 million dollars
om this oil facility in addition
other regular drawings from the Fund.
st terms for use of this oil facility
ve not been all that concessional—7
r cent interest with a 7-year period for
payment including 3 years of grace. Now, however, it is reported that this oil facility is to be considerably expanded to about 6 billion dollars in 1975 subject, with possible further expansion to be considered, and with a new provision for part of this facility to be available for the poorer developing countries at highly concessional rates of interest.

It is evident from this arrangement of the Fund, from the expansion objectives of the World Bank Group and from direct financing on a bilateral basis that a considerable effort is already being made to meet the greatly increased needs of the developing countries. Nevertheless, I think it is obvious that the efforts of the IMF, the World Bank Group and other multilateral and bilateral sources of financial assistance are still far short of the assistance that will be needed by the poorer developing countries over the next several years. How these needs will be met, and how the debt burdens that may result are to be carried is obviously one of the major uncertainties of the current financial scene. It is encouraging nevertheless to note the attention that is being given to this problem. It is also encouraging that the poorer developing countries are not forgotten in the wide attention being given to the search for international financial dislocations of the present world. As I noted earlier it would appear that these financial adjustments are manageable in an appropriately dynamic atmosphere of international cooperation. In such an atmosphere the needs of the poorer developing countries, while seeming to be large in absolute amounts, are really modest indeed in their relation to the magnitudes these days of international flows of income, trade and capital. Undoubtedly, the world will find ways to adjust to the international financial and monetary dislocations of the last few years. Hopefully the adjustments will be made, as they can be, in a context of international economic advancement. Such advancement must, as Mr. Lall has so convincingly explained, be world-wide and include the poorer as well as the more affluent countries if it is to re-establish a satisfactory international equilibrium. It must be an advancement carried out in a spirit of forward-looking international cooperation; one which combines consideration of self-interest with particular concern and compassion for the vast numbers of destitutes in the countries of the Fourth World.

Cooperation among developing countries

Mohd. Fazal

WOULD like to present to you a few
acts which have come to my notice. The
rst fact relates to the compatibility in
e economies of the developing countries
uch as India and of those countries which
re developed and such of those countries
hich are more fortunate at the moment in
aving huge funds to invest and have
een doing so for their own development.
would like to say, at the very outset,
bout the prejudice at times in the minds
f people who have to spend money with
egard to the suitability and the quality
f the products that they can possibly
uy from someone else. I am conscious
f this when I dilate upon this aspect
ecause a friend of mine—to give a home-
y example—a few months back in a
arge European town bought a neck-tie
t a cost of 15 dollars. He was proud of
t. When he came to the hotel he found
hat it was an Indian tie which could have been bought in India for about five dollars. This sort of lack of trust in something which you have inside and the appeal for it outside is at times responsible in trading with such developed or developing countries which have acquired the know-how in the recent past. For instance, if we want to sell, say, a Kolynos tooth paste made under the same license and with the same ingredients, we may find it rather difficult. Therefore, the ground has to be broken in creating confidence.

I will again, moving away from the homely example, bring to your attention one example which came in my own working experience a few years back where a large company from India tendered to a large country with lots of funds and one of the oil-exporting countries at that, for a large industrial project. The know-how and the components were fully established inasmuch as the know-how came from some of the developed countries with their labels on it and possibly they might have also held a hand in a part of the project. I do not blame the country which has to fix the contract because there is a psychological barrier. I would like to emphasize, nevertheless, that the job went to another developing country at 15 million dollars additional cost than what was quoted by India. I am not making any accusation. What I am trying to emphasize is that while there is a great deal of need for cooperation between the poor countries which are the developing countries, there is a certain degree of near-development for them to be of use to the neighbouring countries which have geographical and also, if I may dare say so, the political advantage of getting together. There is this element of non-confidence in the sense that near-developed countries or developing countries may not be dealing with the goods of the right quality and in the right, competent manner. This barrier will have to be broken and it has to be broken by inspections, by extensive talks between the technocrats and the manufacturers and the suppliers of goods and services from the developing countries to such of those countries which have all the money today in the world to spend on their own development and industrialisation.

frightful alternative

The element of charity which started with the religious orders in the previous centuries, in the mediaeval periods, will not do in the modern world if we have to save it from economic convulsions and revolutionary situations. When I was listening in the morning to a few learned speakers and the papers that were read, when you come to think of the goal of zero per cent rise in the Gross National Product, one really feels scared. If the world is not going to combine to help the developing countries, then I for one foresee a good many economic convulsions and revolutionary situations. Therefore, it brings me again to the aspect of compatibility. Those of the developing countries in the modern world which are, by good fortune, in a position to invest large funds in their industries development have to join hands with developing countries which have the infrastructure of industry and technology and see if they can be of mutual assistance. I am aware of some dam-building contracts in some of the oil-exporting countries. At least these are jobs, ordinary construction jobs, which could be really shared by deveolping countries and which could be of mutual advantage. After all, developed countries are not there to build dams only they could do something else for the world economy.

We have been hearing a good deal about the export of technical personnel from India and some other developing countries. While as a matter of economic and political goodwill, it might be a good effort and should be continued, I do not foresee any appreciable return out of the export of technical personnel. A figure of Rs 300 crores was cited by Mr Vinod Parekh a few moments earlier, I wish it were right but even if it was Rs 30 million in terms of foreign exchange, I would be happy because I am sure it would not be. I do not at the same time like to discourage this movement of technical personnel because, after all, we in India have been helped a great deal by our friendly countries in the past with their technology. In as much as they seconded to us technological experts, we might as well do so.

I would like to mention for the benefit of such of those who are from outside this country and who have done us the honour of being here with us during these days of seminar that India has a great deal of technological competence in not only middle level technology but also in high level technology. India can put up thermal power stations up to 200 megawatt. and that is the size which a number of countries need. India can manufacture large steel structures which are needed in any project whether petro-chemical complex or fertilisers plant or steel plant or cement plant. India has all the capability to make technological and steel structures at the most competitive prices. In fact, the organisation with which I am directly concerned has got two contracts of this type: they are by way of sub-contracts from a company in a developed country. The job has been sold to us on 30 per cent premium. You can then well imagine at what price the main contracting company might have got the job.

The outflow of money from the OPEC and the Middle East countries to some of the developed countries may be, in certain cases, out of proportion to the intrinsic worth of the equipment and technology they may be buying. Perhaps the slightly more developed than the other developing countries such as Egypt or India or Iran might be of greater assistance. It might release the pressure on investments which some of the developed countries are, of necessity, forced to make in the developing world. Therefore it would be worthwhile being a little more self-reliant and relieve those countries, to some extent, of their burden.

I would also like to stress the opportunities that we have, in this country, for export. We are asking the whole world to change its conventional mode of thinking; we are asking people to shed their prejudices and conformist ideas. We have to be novel in our own thinking. I refer to the considerable wealth of cattle that we have in this country—where we have considerable opportunities for export I am told that a vaccine has been developed in the west which can immunis our cattle of certain diseases. On a very rough estimate which I made with one expert some months back I find that something like one billion dollars worth o meat can be exported from India, provided we can overcome our prejudices

RECORDS AND STATISTICS

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d I see no reason why we should t overcome our prejudices be- use it would be doing a great service to rselves and, perhaps, also to the cattle which are mostly ill-fed in this country. We have, in our country, all the means modern slaughter houses, refrigeration and so on—which are conducive for export of meat to our neighbouring countries and more particularly to developed countries and for earning a lot of revenue.

A Marxist's view of inflation

Tomas Kolesnichenko

VO DAYS ago, my friend from France ged me to make a statement but I was n busy. But now I have been able prepare a short statement. First of all, vant to disclose a secret and please ep it between us. As one of the edi- s of *Pravda*, I am a Marxist and as a arxist I have a different approach to many problems that have been posed fore this seminar. But I welcome this versity that has been allowed here r it will help to find ways to solve e problems created by the present isis.

Honestly, there is neither a global ergy crisis nor a global inflation from y point of view. There are problems nich afflict the capitalist system. These oblems of capitalism are known to ery student of economics in our coun- y and Marxists have predicted the true ture of capitalism. I am, however, not re to go into the details of these pro- lems of capitalism.

We in the Soviet Union do not have ese problems as you know them, but e are sympathetic to those who suffer om these capitalist problems and want join the global effort to solve them, rticularly to mitigate the effect of is crisis on the peoples of the Third Vorld.

oviet example

This seminar has brought up the oil roblem. Let me, therefore, touch upon hat the Soviet Union has done to help country like India to avoid the oil risis.

The Indian press tells us that the JSSR has helped India in the develop- ent of its oil industry in more than ne way. It has cooperated in the ex- loration on land since the early stages nd in off-shore regions, later on, for ocating the Bombay High structure. It as also helped in setting up the two efineries at Barauni and at Koyali nd is now assisting to set up the Mathura refinery. What is of greater significance, however, is the Soviet Union's help in building up India's technical capabilities to develop the oil industry. This has been achieved by the training Soviet oil experts imparted to the Indian scientists and technologists in India as also in the USSR. Besides, the USSR has also helped in building up the Hind Oil Design Institute and the Research and Training Institute at Dehra Dun. Equally important was the supply of equipments by the USSR in each of these spheres. All these have helped India to advance its self-reliance in the oil industry.

As a result India's oil production has risen substantially. In the year 1950, the production of oil was hardly 0.35 million tonnes which has now gone beyond 7.5 million tonnes and this increase has been made possible to a great extent due to the cooperation and assistance that India has received from the Soviet Union.

experts from USSR

In the context of the existing fuel crisis all over the world, the government of the USSR, as Mr Malaviya, Indian minister for Oil, says, has offered to depute experts to India to advise on:

(a) Reduction in energy consumption in terms of fuel, power, and other utilities.

(b) Reduction of losses in the refineries and improvement in yield.

(c) Increased production of light and middle distillates.

(d) Improved maintenance of plants and reduction in plant down-time.

Accordingly a team of Soviet experts visited the three operating refineries of the Indian Oil Corporation at Koyali, Barauni and Gauhati in September-October 1974 and held very fruitful discussions.

For this increased tempo of work, more drilling rigs and other equipment as also technical cooperation are required. The ONGC has at present 56 rigs, of which only 32 can be put into effective operation. The old rigs need to be replaced and more efficient deep drilling rigs are required. The USSR has already agreed to provide additional machinery, equipment, spares and materials as also services of Soviet specialists, and it is hoped that such assistance and cooperation will help India in solving her oil problems.

the problem

Now let me touch upon the problems of inflation which is the direct result of disorderly growth of the economies in the west. It is in-built in the system and is irreversible. Prices under these conditions always go up and never come down.

Till recently the economists depended on the Keynesian doctrine of state regulation. It worked for some time. But today it does not. Economists like Samuelson, Galbraith and others have not devised yet other alternative solutions. Today inflation is a manifestation of many problems of the capitalist economy and is no more a simple problem that it appeared at one time to economists. Two months back the President of the US, Mr. Ford, identified inflation as "Enemy number one". Recently he said depression was the real problem, which showed the inter-connected nature of inflation today.

If you ask me how to fight inflation, I could say there is a simple answer. And I will quote Marie Antoinette, the famous French queen who recommended the eating of cake when told that there was no bread. Similarly, one could say: buy precious diamonds in Cartier, so that the value of money does not depreciate. But I am not sure whether most of us here can buy precious diamonds. Certainly not the people from the Third World.

May be you think I am too pessimistic, but I am not. I see many ways to break the growth in inflation. Specifically I see the possibility for this in increasing trade relations with the socialist countries and secondly in a wise policy on the part of OPEC to distribute their vast resources for development.

Basically I believe the approach to the energy and inflation problems should be honest, disinterested and of mutual interest. I know some of you are going to Hardwar the day after tomorrow. You will see there one of the examples of this selfless assistance of the Soviet Union to develop India's economy—the Hardwar Heavy Electrical Equipment Plant.

Appearance and reality

Kan Mariwala

In the deliberations of the past few days when eminent speakers have shared their views with all of us, there has been one dominant factor and that has been the magnitude of the level of international trade. We started with the figure of 60 billion dollars' surplus in the OPEC countries per annum; we talked about India's need per annum of one billion dollars; a little while ago Mr. Parekh talked about 300 million dollars or thereabouts. I am afraid, the views that I am going to share will have a very small direct monetary dimension. Nevertheless, I do hope that they have a very large human dimension to it. I would like to submit for your consideration that any strategy designed towards economic development, and cooperation and towards increase in international trade (bilateral and multilateral) must have this very vital human component because essentially, the goal of all strategies is human betterment and social welfare.

college incident

When I was asked to speak, I wondered which particular facet I should bring to your notice, and this puzzled me a bit until I was reminded of a friend of mine who was in college with me, who had the great quality of articulateness. putting across whatever ideas he wanted to put across. This quality I lack, but I was considerably heartened when I remembered an incident that happened in our college days. Both of us were to appear for an oral examination in biology. On the previous day of the examination, there was a cricket match in Bombay and both of us spent the whole day attending the match. That night this articulate friend of mine had just enough time to read one chapter from his biology book which related to the nervous system of an alligator. The next day when he was called in before the three eminent professors of biology for a ten-minute oral interview, he walked with supreme confidence. The question that was put to him was: "Mr. so and so, can you tell us about the reproductive system of an amoeba?" Immediately my friend started saying: 'The general reproductive system of amoeba reminds me of the nervous system of alligator which is thus'. And he kept them busy for the next ten minutes with his intensive knowledge—in depth—of the alligator's nervous system. I lack this ability.

Now, coming back to the subject matter, I want to present before you some of my thoughts. The first point that I would like to make is this. A large number of developing countries, including ours, have vast human resources, and these human resources have also the 'value-added' component. Hitherto, in the world of economics, in the world of international trade, we have talked of 'value-added' concept in respect of commodities, in respect of engineering goods and so on. My first point is that there is a very large, 'value-added' component in the human beings in terms of their talents and skills, which lead to scientific endeavour and technological innovations. Being familiar with my own country much more than many others though I have had the good fortune of visiting very many sister developing countries and a good many of the highly advanced countries, I would like to say that this is also one of the areas—exchange of technological experiences and innovation skills among the countries in the OPEC area, among the highly advanced countries and developing countries like India,—which could lead to optimum technology being developed.

adaption of technology

The second point that I am going to submit for your consideration is that technology has to be adapted, has to be modified, has to be tailored, to suit a given environment, and I think, this is the reason why such an exchange of ideas, such an inter-action between the developed and the LDCs, among the developing countries at various stages of development, will be very fruitful. It is not in terms of money value of imports and exports. That is not of as great a consequence as the fact that this kind of exchange could lead to the development of more appropriate technology, the technology which is more suited to a given environment. And this is an area where India has done good work with some success. The National Industrial Development Corporation has, indeed, been fortunate in sharing its development experiences in this field with 17 other countries, including Iran where we have been working jointly for the last six years. And I must say that we have learnt as much from them as we have given.

a different facet

A point was made this morning abou the medium or intermediate technology I would like to view it from a slightl different facet. There are several phase of this technological endeavour. Ther is the basic scientific endeavour leadin to a practical technology developmen The next phase is technology-adaptatio and this is vital. This is like transplantation of an organ in a human bod One could develop a synthetic kidne But whether the human body is going t accept it or reject it will, in a larg measure, depends on the manner in whic it is transplanted. This is the adaptatio that I am talking about.

The third phase is the translation this adapted technology into constru tional techniques and skills. I wou submit that this is a very large ar calling for cooperation between t highly industrialised countries whe more sophisticated technologies m have been developed and the developi countries. The translation of the technologies in varying soils is precise the area where the developing countri themselves can contribute significantly has been demonstrated by our experien in this field.

A point was made by the distinguish speaker who spoke before me about t engineering exports from this coun and a sort of informational credibil which makes the developing count- the OPEC a little hesitant to accept neering products from this country. iough our engineering exports have wn significant increase, still it is not as :h as we would wish. I think the point Mr Fazal made is very valid indeed. at also indicates the two kinds of gaps ch need to be fulfilled—one is the ormation gap and the other is the dibility about the capability gap.

I would submit that if, for a moment, move away from the monetary, lar, rupee or rouble aspect or the iension of export to the developing intries, if our technical, professional l other people have the opportuenity l rewarding experience of visiting the EC as well as other countries, I think s in itself would in a fairly large asure remove this credibility and ormation gap. Because, if we are lly able to do a good job, whether it selling, designing, construction or pervision, I think automatically confi- nce develops, if we are able to do this, must be making fairly good equipment why not try to take it.

nsultancy experts

Finally, in sending our experts outside taking the consultancy, design, cons- ction and production contracts. either ectly in the OPEC or as sub-contractors companies from the technologically vanced countries in the world, there is plicit in it the technology transfer facet iich I think is very vital to all of us in e developing world. Whether it is India, n, Chile or Quwait, this transference technology and sharing of experience another facet, which does not really go t in the import-export statistics, but iich ultimately I think does shape the s tiny and course which provides e channel of effective inter-action in onetary terms.

One small thing which, as far as I ve been able to see, has not been entioned is this. In so far as the iprovement of trade or export possibi- ties with the highly industrialised count- es is concerned, the countries of the veloping world have hitherto talked out such products where the man- wer input is high, since the cost of ianpower in most of the developing untries is significantly lower; therefore, iese are the areas that we should aim by all means. But I would like, for moment to take you to a slightly ngential viewpoint and that is to look at the product range. Take the example of an automobile. What is the difference between Rolls Royce and an Austin? The prices of the two products are enormously different.

If one were to analyse, one would find that it is not the equipment which manufacture these two cars, it is not even the technology which is significantly different, what makes the Rolls Royce such a highly expensive product is the amount of man-hours that it has gone into. So, I would like to suggest that, apart from the traditional thinking of the highly man-power intensive industries in which the developing countries can help the industrialised countries, we should not lose sight of the high value and high quality product, where again the human skills and talents could be most effectively utilized.

As I said, the company I represent, the National Industrial Development Corporation, has been working in several other countries and over and over again we have come up with this: that the joint endeavour between human skills, human talents by various countries, ultimately produce a package which is minimum in cost and which is commensurate in quality.

I would end my little rambling address to this distinguished audience by again emphasizing that whatever strategies we are able to come up with towards this goal, whatever themes for the new development decade that has begun we may shape, I would suggest that we concern ourselves much more deeply about the contents of these programmes, about the operative facets. As the minister said this morning, all these programmes in both national and international seminars often happen to be preoccupationally concerned with the label or the name of the programme.

Therefore, with your indulgence, I will conclude my speech by telling you another story of a friend of mine in America, who had preoccupation with pornographic literature. He was an avid reader of the so-called dirty books. One day as he was going to catch his flight at the airport, at the book-shop he noticed a title which was staring at him and the title was "How to hug". He knew that this book was not in his library. So, he bought it and took it to his aircraft. After fastening his seat belt, as the aircraft was moving through the runway, he excitedly opened the book and he found the inside page repeated the title "How to hug". When he turned to the next page he found that it was the Fifth Volume of the Encyclopaedia beginning with "H-o-w" and ending with "H-u-g"!

May I repeat that in the figures that we have talked about, billions, crores and what not, we do not lose the social factor embodied in the human being; in the programmes and strategies that we are thinking about we do not become so preoccupied with the labels that we forget the contents.

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Avoiding inflation as well as recession

T.A. Pai

THERE IS no doubt that the world economy is under an unprecedented strain—at least to the extent that the present generation has not witnessed in the past one like this. Inflation all around, a deep energy crisis, set-backs to economic growth, oil prices, fuel shortages in many parts of the world, distortion in the patterns of world trade—it is certainly not a pleasing situation for the commod man to ponder. In seeking answers to many problems facing the governments the world over, your contribution is, therefore, bound to make a difference and a significant one at that.

The goal of a developing country can be briefly postulated—it is to bring itself as rapidly as possible into the twentieth century and with the apparatus of individual and group well-being—food, clothing, education, health services, housing, entertainment and transport—which are associated in every mind, urban and rural, with the twentieth century existence. The task is, therefore, to overcome the backwardness and poverty, because of which the things associated with modern civilisation are now denied.

social structure

One cause of poverty is an oppressive social structure which channels return from the many to the few and which denies the individual the natural reward of his efforts at self-improvement. Another is possibly an inefficient apparatus of public administration, which denies to the country the things—law and order, education, investment in roads, power etc. which are possible only, when there is an effective and incorruptible public authority. One more factor is that poverty is itself a principal cause for its own perpetuation in the sense that poverty denies the country capital for investment, revenues for education or purchasing power for consumer products, which are an incentive to effort.

Where do we stand now, particularly in this part of the world, rather in our own country? Life is still so burdensome to vast sections of the country's rapidly rising population that their weariness cannot be taken for unquestioning resignation or submission to despair. The common people do not and need not understand the sophisticated language in which the intellectuals here and elsewhere expound the philosophy and dynamics of planning. They must feel the fruits in order to perceive it and when the fruits are a mixed bag, their faith in planning is bound to be a cynical one. Sacrifice is, no doubt, a must at every level but the enjoyment of a reasonable portion of fruits of planing, now and then, should not be looked upon as an unpatriotic indugence. Such enjoyment helps reduce the tension and the sense of insecurity, which now grips large sections of the population.

misleading measure

In a country like India, national income, as a measurement of progress, is misleading from one point of view. The quantitative increase in money terms, even at constant prices, even when it is substantial, does not convey the great qualitative changes that lie behind. The modernisation of agriculture over considerable tracts of the country, the diversification of large industries, the diffusion of small industries with the help of electric power, the spread of banking, the acquisition of technical skills by a new generation are instances of economic advance, which the figures of national income cannot adequately reflect. On the other hand, when national income is divided by the figure of India's population, the resulting per capita income suggests, still, a degree of poverty. Economic progress is not a fact of sentimental appreciation. It does not easily lend itself to measurement when the variables are so large in number and their dimensions are so vast as in India.

At the advent of freedom, we had necessarily to build an economy because there was no worthwhile economy as such. The political aspirations of the people, in terms of economic freedom were naturally for an economic core, represented by the legitimate demand of the people that they must be self-reliant and there will be more economic equity.

We were, therefore, committed, as a p
of our heritage of our struggle
independence, to two basic conce
namely, economic self-reliance and e
nomic equity. Government had, the
fore, to take a very large number
steps which have covered the en
gamut of economic policy—fiscal, mo
tary, production and distribution. It
in this context, that the inevitability
public sector in an underdeveloped e
nomy will have to be understood. In
economy which produces sufficient s
pluses finding its way to optimal util
tion in basic sectors, there sho
possibly be no need whatsoever for
specialised public sector. In a l
pitched economy, where generation
surpluses is low and distribution of s
plus is limited, massive investment
necessarily to come from the governm

It is also not possible to conceive
frame of economic growth unrelated to
growth of social realities such as edu
tion, housing and health. There can
therefore, be any alternative to gov
ment trying to convert itself into a tru
of public savings for public investmen
areas of public utility.

government's role

Whether it is infrastructure
irrigation, technical education or
ctrification, government has ne
sarily to be the focal point of
development, without which, neit
agriculture nor industry could gr
Public sector will and should expan
the extent resources are available in b
industries, especially. If the period
gestation in this sector has become lon
than can be justified on econo
grounds, the deficiencies are organisat
al and would need to be corrected.

In the Indian situation, the basic c
pulsiveness of a public sector provides
rationale of a mixed economy, in the se
of private entrepreneurs cultivating
areas where public investment is nei
possible nor desirable. The problem
mixed economy is not only how to k
the mix in equilibrium but also to m
the public sector more economically
ponsible and the private sector n

y responsible. India has certain l advantages for expansion in public . The government is more favour- laced than the private sector in rais- mestic finance and foreign exchange rces for the new enterprises.

recent hike in the oil prices and the ant inflation all over the world has scored two very important factors e world economy:

) The industrialised countries can no longer take supplies of raw-materials for granted and they have to be ready to pay reasonable prices; and

i) There is no escape from a concept of complementarity of production among the industrialised countries and the more developed among the developing countries if industrialised countries have to escape either soaring inflation or recession. This is because dependence of the industrialised countries on oil is much more critical and, if they have to fight back depression, they will have to export in substantial quantities. This they cannot do in a high cost economy unless they have a production cooperation with the more developed among the developing countries. The new world situation, therefore, has brought in a new world economic order of complementarity and cooperation as distinct from compartmentalisation and confrontation.

imbalance

Government of India is acutely con- ous of the imbalance created by the anding balance of payments gap and , as a result, adopted a network of ortant policy attitudes. The first is work for a great degree of flexibility selectivity in the system of industrial nsing and financial infrastructure. The ective of this policy is to optimise of installed capacity in selected areas, ntroduce greater selectivity in credit nning, to make more money available purchases of capital goods and to and the export efforts. These policies iously are calculated to cope with a ation in which liquidity has been sened as an anti-inflationary step and economy has also to be saved from ession.

In our exports, we are now planning only to sell goods but also enter into turn-key contracts as also sub-contracting arrangments with world firms because it is in the interest of both that transfer of finances should be *pari passu* transfer of equivalance in labour costs. We have also started working out common production arrangements with our friends in the middle-east and west Asia in terms of which the industries which can be set up quickly in India would be financed by these countries with an understanding that part of product will go to them. The new export strategy will be of particular relevance to the industrialised countries because they will find it increasingly impossible to function at competitive cost levels unless they work out production complementarity with the developed among the developing countries.

mixed economy

We do believe in mixed economy and government of India's policies have been based on a concept of a mixed economy; but within the parameters of a mixed economy it has always been understood that the public sector will have the commanding heights. This only means that the public sector will provide the guts to the economy so that there is no feeling that keys to the economy are held by individuals and not by the people of India as a whole. We are now trying to expand the concept of public sector both in content and in form. In content we are trying to establish public sector presence in nodal consumption sectors as a stabilising force and we are also trying to modify the content of public sector by converting public sector companies from 100 per cent government equity to minority public participation. This is an exercise in participation and also in mopping up public savings. It is understood that the classical capital market is today a myth in a developing country such as India and, therefore, we have now to transform the concept of buying a scrip in a company on the basis of share prices quoted in newspapers to the concept of participation in companies in the functioning of which people in the area have direct interest. In my view, public participation in developing economies in this particular fashion can substantially perform the functions of a developed capital market in industrialised countries.

We have received a large number of proposals for transfer of plants on 100 per cent export basis. It is necessary to make it clear that it is neither possible nor desirable to announce a global policy on a issue like this. You will appreciate that we are interested in export and, therefore, a proposal based on 100 per cent export will necessarily have very expeditious and favourable consideration. We also would like to make it clear that we are acutely conscious of the process of technological obsolescence. At the same time, it also has to be appreciated that we cannot import technologies which do not synthesise with the framework of expertise and infrastructure in this country. Again, we are absolutely committed to keep technological imports limited to areas where indigenous competence is absent but has to be generated and should be generated quickly with external technological assistance.

We are not averse to equity participation but we want to limit it to spheres where the stake of the foreign collaboration in the production *per se* is a condition of sustained production of requisite quality and quantity standards. Such participation should normally be below 40 per cent but it could be well above it in cases where there are significant prospects of exports and the technological input is such in which equity sharing at higher levels is in national interest.

great possibilities

Finally, the industrial situation in India presents a picture in which there are great possibilities of growth but also some immediate obstacles. The biggest obstacle in my view has so far been our attitude to industrialisation. We treated the government and the industries as on opposite sides of the fence and the intersectoral balance has, to a large extent, blinded us to the more important realities of the economic situation. What we are trying today is to consider each investment basically as national investment, which it physically also is, considering the order of participation of financial institutions in the investments which has taken place even in the private sector so far. As far as public sector is concerned, the concept of dichotomy between government and the functioning units has to disappear and, as far as the private sector is concerned, production in the nodal industries is as important to the country as it would have been had these industries been in the public sector. We are, therefore, basically trying to bring in an approach geared on industrial priority rather than sectoral precedence. We are trying to bring in a complete revolution in the attitude of the government *vis-a-vis* industrialisation in this country. We have achieved significant success already and we do feel that in the course of the next two to three years pilgrimage to Delhi by industrialists all over the country will no longer be treated as wasteful occupational hazard but as rewarding inter-communication between agencies engaged in the common endeavour of building industrial India. This is an aspect of industrial culture which, to my mind, is of greater significance than any other aspect in keeping with the difficult situation ahead of our economy.

Coming again to the question of public sector mobilising resources from the common people, the Krishna Menon Committee on public undertakings had made a strong recommendation in its favour as well as for labour participation in capital. You may now be aware that the state owned Scooters India Ltd. have offered 49 per cent of their equity shares to the public and this is the first public sector company to offer equity participation to the public. As a matter of general policy, equity in public sector concerns had so far been exclusively derived from government. My principal effort has been to elevate the conceptual level of the project from government project to a national project. This does not, in any way, mean that the differential character of these projects has changed, as government would necessarily have minimum of 51 per cent holding. This concept has received contextual support from today's constraints on investible money with the government.

critical action

I am confident that what we are going to do is not only correct in the present situation of tight money but also critical in long term range of securing a sense of participation of Indian investing public in public sector projects. We feel assured that the public sector projects can secure such a subscription because we have been able to generate adequate confidence in their functioning to demonstrate that, given correct environment and leadership, they can function very well. We are also going in for public deposits in some selected public sector projects which would give them higher liquidity, absence of which has been constraining their operation in the present tight money situation.

The production in the industrial sector is certainly behaving better than last year. In the first quarter of 1974-75, the rate of growth was 3.2 per cent as against minus 1.8 per cent in the corresponding quarter of last year. Advance information available with respect to production in a large number of industries, which account for a substantial weight in the index, shows that this rate of growth is likely to be maintained during the rest of the year also. It is likely that 1974-75 would show a rate of growth between 3 and 4 per cent. Although this is better than last year's it is far below the country's industrial potential as well as the rate of growth which was achieved in the early sixties. The main task of public policy in the coming years is to step up the rate of growth of production in line with the targets.

industrial policy

Some recent press reports have resulted in a certain amount of confusion regarding the intentions of this ministry with respect to industrial policy. Some of these press reports have given the impression that the ministry would like to move towards a market-oriented policy without regard to country's industrial priorities or planning. This may be an appropriate occasion to explain the objectives of governmen't industrial policy. The following are some of the points which may be mentioned:

(i) The government has tried to provide flexibility to the producers in determining their product-mix in machine tool, industrial machinery and electrical equipment industries however, as is evident from the list of industries in which this facility has been granted, flexibility has been provided only in industries where the entire product of that industry is high priority. We need not be fussy whether sugar machinery is produced or paper machinery is produced, but the government is certainly fussy about whether machinery will be produced or domestic refrigerators or air-conditioners will be produced.

(ii) While flexibility has been produced where it is needed, government has also tried to regulate production and/or consumption of products which are in short supply and whose use has to be regulated according to overall social and economic priorities. The Cement Control Order and the Production Control Order in respect
paper are instances of this kinc
The above shows that there is n
intention to move towards an u
regulated economy.

(iii) With regard to defining capaci
in terms of inputs or critic
equipment, it may be clarifi
that the intention is to be sele
tive, and use this procedure on
in cases where such a definitic
would enhance efficiency in th
use of scarce raw material
capital resources.

(iv) Some of the recent measures
the field of licensing are: definin
capacity in physical rather tha
value terms. permitting thr
shifts operations, revision of t
value limit for small scale secto
price decontrol subject to certa
guidelines in respect of comme
cial vehicles, cars and tractors.

(v) Some of the policy measur
which have been considered ar
encouragement to use capacity f
export production by liberalisi
licensing restrictions which m
come in the way, and encourag
ment to the growth of capacity
the export industries in the e
gineering field.

problem solved

Less is being heard now in Inc
about the threat of recession in the la
few weeks. It may be mentioned th
the problem of accumulation of stoc
in textile industries has been solved
a large extent by reduction in prices
the month of November. This was
line with our expectation. It may al
be mentioned that in the month of D
cember, there has been a sharp increa
in the production of commercial vehic
over the month of November (18
cent), cars (34 per cent), motor cyc
(10 per cent), three-wheelers (17.4
cent), and so on. The present prod
tion trends do not point to a recessi
in the economy. The effects of wo
recession on the Indian economy
hard to predict, but they need not
very large since exports are a relativ
small proportion of national income
well as total industrial production. Th
however, is an area of uncertainty a
should be recognised as such.

Our main response to any tender
towards recession must be by

asing investment in the economy, l by increasing exports. Realising t if our economy has to survive, re is no option but to step up our ports significantly, every possible asure is being taken to increase r export earnings. Unconventional ports in commodities such as sugar l cement are being followed up. More portant, our effort is to increase our ports of non-traditional engineering ods particularly to the developing untries. Towards the furtherance of s objective, a number of bilateral trade reements have been entered into and nt commissions with a number of untries set up.

The strategy is to fully exploit r present capacity with the advan- ge of cheaper cost of production meet the developing needs of various untries either directly or as a third untry supplier. Instances deserving rticular mention are the orders secured the supply of equipment for a coke en project in Yugoslavia, structurals a project in Kuwait, buses to Zaire, ghanistan and Sri Lanka. We have o reached an understanding with ngary, after an appraisal of our en- neering and technical capabilities for paration of a detailed project report setting up of a coke oven project in t country on a turn-key basis.

utual cooperation

All possible avenues are being explored mutual cooperation and expansion of de with various other countries. ght now. negotiations are in hand with USSR and a team is in our country explore the possibility of our supplying vy engineering equipment to third coun- es which are setting up projects with the istance of the USSR. We are also nego- ting with a numberof countries for istance for the development of the ural resources.

In order to facilitate exports, govern- nt has recently made certain changes in value added criterion for steel-based ex- rts, For items such as steel pipes and ght bars which were facing difficulties he export market, the value-added cri- ion has been substantially modified per cent as againt 25 per cent along h certain changes in the base of calcu- ion). In order to step up investment, pite difficulties on the resource front, vernment has tried to maintain the npo of investment in 1974-75 and expects to do so in 1975-76 also. Figures of the Annual Plan for next year are likely to be available at the time of the Budget. The present slackness in the capital market as well as the difficult resource situation of financial institutions may be referred to by the reporters. Since, so far, the government has not done very much in this area, it may be necessary to recognise this as a problem and indicate government's intention to take necessary measures in these areas also.

basic law

One of the basic laws of economics is that supply of output is directly related to price. The experience of our country, however, in the last few years, shows that such direct relationship between supply and prices is not evident. While prices have been increasing at the rate of 18 to 20 per cent, the index of industrial production reorded a growth of only 0.7 per cent in 1973 over 1972 and 1.7 per cent during the first half of 1974, as compared to the corresponding period of 1973. At the same time, there is substantial unutilised capacity in the country and, it is, therefore, clear that the current inflation is not the result of full employment of existing real sources in the short-run, as is generally the case in advanced countries. With the slightest trend towards decline in output prices, there is a terdency for the output to be curtailed in order to ensure that the decline in prices does not become cumulative. Thus, all the operations are geared to an expectation of perpetual shortages and rising prices. This would be a misleading indicator of the social cost of under-utilisation of capacity,

In order to avoid inflation, I therefore, assign a crucial place to utilisation of existing capacity in the industrial sector. This is crucial, because utilisation of existing capacity can lead to substantial gains in production in the short run without too much monetary outlay on additional investments, whose benefits can be available only after a considerable time-lag. The immediate problem, therefore, is to overcome the constraints that come in the way of using the capacity that we have got in this country with past investments. In this task, both public and private sectors have to play their assigned roles and it is my hope that we can create a system which would introduce a social compulsion to produce and utilise existing capacity rather than devote our time to finding alibis for inefficient and under-utilisation of the capital resources of the country.

In understanding the current situation, it is important to remember that any turn-around from inflationary phase is bound to create some problems of adjustment for individual industries in the short run. The correct way of coping with the situation is to adjust prices and costs to the changing level of monetary demand rather than resist a lowering of prices in the belief that inflation has now become a permanent feature of our economy. There is no lack of effective demand in the country at proper prices and, if this is done, I have no doubt that we shall be able to avoid both inflation as well as any threat of recession, whether real or imaginary. Step-up of production is the only answer to both inflation and recession. It would be my endeavour to give a measure of flexibility to the industry for increasing production within certain parameters.

economic mysticism

I am reminded of a story. When a man was asked about the age of a river, he stated, "It is three million and 21 years". Asked how he could give such accurate information, his answer was, that, 21 years ago, the river's age was given as 3 million years! There is a fair amount of economic statistics in this. We delude ourselves into thinking that we live in a more rational and scientific age than our ancestors. It is also true that we live in an age of a particular mysticism and the mystic relegion today is economics. I am chary of economic platitudes, because they fossilise the attitudes and perspectives. The economists can never be wrong in their diagnosis and forecasts, which are a function of several variables! Their prodictions are admittedly subject to operation of unpredictable outside influences.

Those in political authority, however brief, are not in that unenviable position. In sharing with you the thoughts I have, on the grave economic issues facing the country and the world alike, I was not enthused about taking dip into high intellectual economics. I hope that my reflections can stimulate appropriate reactions in the nature of well intentional counsel from such a high intellectual body as this Forum of Financial Writers.

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WINDOW ON THE WORLD

In and around Pacific Asia--III

V. Balasubramanian

THAI INTERNATIONAL—the "Get Into It" airline—reminds passengers about to disembark at Bangkok that "while Thailand is a land of smiles and a country where almost every visitor greatly enjoys himself, it should be remembered that the King and the Queen as well as the Buddha are all sacred and are not to be the subjects of even the most innocuous joke." Indeed, the divinity that doth edge a king is supposed to be taken so seriously in that country that the visitor is further advised that "as Thai money has the King's picture on it, even money itself should not be mistreated"—an admonition which is perhaps superfluous in the case of most Indian travellers abroad who normally do not have much foreign exchange either to mistreat or treat themselves with.

Thai International was not exaggerating. In the third week of December last when I was spending a few days in Thailand, the local press was reporting what was described as the "*lese-majeste* trial" of Mr Praderm Damrongcharoen, editor of the student magazine *Sajjatham.* The offence he was charged with was that he had published a poem which, it was alleged, was in the nature of an insult to the King and the royal family since it appeared to suggest that they were visiting the hill tribes in the north frequently and bribing them with gifts of plants and cattle. The trial featured evidence by the cartoonist, Mr Prayoon Chanyawongse, a Magsaysay Award winner, who had denounced the poem and its publication in a newspaper *Thai Rath.* He testified that he felt sorry because, despite the attempts made by the King to bring unity to the different hill tribes, there were still persons who would attempt to malign the royal effort. Dr Asa Meksawan, governor of Chiengmai, Thailand's famed northern city, told the court that the poem was calculated to create an impression among the public that the King was favouring the hill tribes while ignoring the farmers. Where the sympathy of Bangkok's ebullient student community lay was clear enough during the proceedings in the court for, even as the loyal cartoonist concluded his evidence, he was booed and jeered by the students crowding in the courtroom.

It need not be doubted, however, that the King and the Queen are widely respected and admired in Thailand. At the same time, the institution of monarchy as a positive and functioning political force seems to be coming increasingly under some very genuine and serious questioning within as well as outside the student community. This is not surprising since royalty had been playing a merely ceremonial role during the long night of the military dictatorship. What is surprising, however, is that, even after the regime of Field Marshal Thanom Kittikachorn was overthrown in October 1973 following the student agitation, the King has shown no clear purpose in terms of giving a positive direction to the political process. Many friends of Thailand, though perhaps not the Thais themselves, should have often thought in the course of 1974 that what Thailand needed as well as deserved was a firm and enlightened sovereign functioning with the authority of history as well as his own personality, somewhat on the model of the Shah of Iran. King Bhumibul, Adulyadej, however, has not seen himself in that role. On the contrary, he seems to have resolved to abide faithfully by the implications of the "October revolution" and preside, strictly as a constitutional monarch, over a process of nursing his country into a parliamentary democracy.

programmed evolution

It could be said at once that this resolve did (and does) the King great credit, but it is not equally clear that it has brought or is bringing Thailand the benefits that this idealistic approach could in theory have been expected to yield. In any case the man whom the King has chosen to be the Master of Ceremonies for guiding the programmed constitutional evolution has never been very convincing in that historic role. The prime minister, Mr Sanya Dharmasakti, was admittedly picked by his King because of the reputation that this elderly scholar-statesman (who is perhaps more scholar than statesman) enjoys for piety and integrity. Valuable as these qualities are in any human being, they have unfortunately not been enough in this instance to enable their possessor to hew a stable path for his country's immediate political progress.

At the time I was in Thailand, the then impending general election, which was to set the seal on the democratic constitution so trustfully written up following the overthrow of the military regime, was no doubt being looked forward to by the Thai people with a great deal of excitement but without solid expectations. As a matter of fact, it was already being taken for granted that no stable administration or even alliance was likely to emerge after the poll. This was not only because 42 parties and some 2,199 candidates were in the field for 269 seats. The real problem was that there seemed to be more generals than men in these hordes of vote-seekers. This seemed to be true even of the Democrats who started with the strategic advantage of having provided at least a symbolic opposition to the military dictatorship and the tactical advantage of some organizational resources and expertise.

In the event, in the elections held on

January 26, the Democrats had emerged with 72 seats, having polled 26 per cent of the total votes cast, although this has placed them in the position of being the largest single party. It has also confronted them with a situation where they are outnumbered by one by the combined strength of the two major right wing parties, Social Justice with 45 seats and Thai Nation with 28 seats. At the time of writing reports in the newspapers state that Mr Seni Pramog, leader of the Democrat party, has announced that he would form a minority government on the basis of a coalition with the Social Agrarian party which holds 19 seats. This alliance would still need outside support, some of which is expected to be provided by the Social Action party which disposes of 18 seats. Incidentally the Social Agrarian party is right wing and it is therefore likely that the new minority government may have to accept compromise as a way of life. Even then it is by no means the case that Thailand could look forward to stable government with reasonable certainty.* Incidentally, the election of the Speaker of the National Assembly has produced a surprise in the form of the success of a right wing candidate, Mr Prasit Kanchanawars leader of the Social Nationalist party.

rampant factionalism

Meanwhile, the factionalism which came to the fore in the months before the election and the stories of corruption and money flowing like water, which were common on the eve of the poll, must have left a sour taste in the mouth for those sections of the Thai public who might have been hopefully thinking in terms of clean politics and clean government after all those dirty spells of autocratic rule by military strongmen.

The student community of Bangkok to which must go some of the credit for the overthrow of the Thanom regime in October 1973 has, within limits, been a cleansing and leavening influence in politics, but it is now more than possible to doubt that it will not increasingly be having its own problems of integrity, discipline and purposiveness. Although, as in the *lese-majeste* case, it may still be able to function as a liberalizing force in public life, its leadership has itself come under some public suspicion and much critical scrutiny lately. The audit committee of the national student's centre of Thailand (NSCT) recently reported large-scale swindling of funds amounting to 21 million baht (about a million US dollars). The committee accused its treasurer, Mr Boripat Methavet, a 4th year student of Chiengmai university, of embezzling more than half a million baht and diverting the money to his family's lumber business. The closing weeks of December last found the NSCT declaring that it would file a law suit to get the money back from its treasurer who, at that time, was reported to be in hiding and hard to trace. The strength of the student movement has been its crusading zeal and it is rather said that its image has been spoiled, even if only temporarily, at a time when parliamentary democracy is having its trial run to the accompaniment of some of the demagogic vices or weaknesses associated with this form of government even in its mature phases.

restless frontiers

That Thailand could ill afford political instability or social unrest is clear enough. For one thing, its restless borders are not getting any the less restive. Much of Thailand, it has been said, is no man's land, even as most of Burma is. This may be an exaggeration but there is no doubt at all that long stretches of Thailand's frontiers are chronically disturbed. First there is the persistent Laotian infiltration on the north and east. Then there is Thailand's border with Burma in the north and west where the Shan rebels, traditionally at war with Rangoon, and some of the world's most determined drug-running gangs have together made it impossible for authorities on other side of the border to maintain even a semblance of order. The Thai-Malaysian border, again, is pounded by racial and political tensions, with political rebellion, banditry and smuggling making a malevolent and violent trinity. Although the Thai and Malaysian governments have attempted some degree of co-ordination of their respective operations against the lawless elements, the Muslim separatists in this region pose a delicate problem to Bangkok in its diplomatic and political relations with Malaysia.

Early in December a notorious bandit leader operating in southern Thailand kidnapped three women teachers and held them as hostages. Even as all Thailand was fretting and fuming against the feebleness of police operations against the kidnapping gang, two more teachers were seized, driving the entire community of teachers in the south to stage a mass protest against the lack of security for them. The *Bangkok Post* saw in these kidnappings more than stray acts of criminality. As this newspaper put it, "Thailand's south is such an explosive mixture of warring races, creeds and ideologies that the kidnappings are but the most evident and obvious marks in an increasingly complex situation." Describing the kidnappers as "the most apparent menace in the south today, the *Bangkok Post* said that "with five teachers kidnapped in the space of a week, as well as other citizens, Thai and foreign, kidpapped over the past years, these menaces are, in their own way, as dangerous as the more widely publicized kidnappers of Argentina or Brazil." It wound up its observations with the sombre statement that "the blame, in a certain way, rests with all of us in the capital who have not taken the southern woes seriously enough or soberly enough and those of us who refuse to acknowledge that our fellow-countrymen are in deep, dangerous explosive trouble."

It is in a way strange that Thailand's military strongmen, who had been ruling the roost for so long and until so recently, had left such a vast legacy of battered and bruised frontiers and border areas. It is of course true that these parts of Thailand are in the most violently agitated region of Asia. Even so, it could perhaps be surmised that the US military presence in Thailand, which itself was one expression of American military strategy for southeast Asia centred in Vietnam, has at least been partly responsible for the successive military regimes in Bangkok failing to work out a political or military policy more precisely tailored to Thailand's own need for reasonably peaceful and secure frontiers. Not that whether the or now there was or is any wild antagonism among the people towards the American bases. On the contrary, the Thais, who are engagingly paradoxical in the sense of being both practical and happy-go-lucky, have only been too conscious of the material benefits of the bases especially in the northeast, where the more substantial of them have been located and the local communities have been benefiting considerably in terms of jobs and incomes.

employment potential

It was estimated towards the end of 1973 that US bases in Thailand provided some 15,000 jobs for local populations in the form of direct employment, while the "labour multiplier" accounted for another 50,000 peripheral jobs in service industries and trades, excluding the entertainment trade, which again brought in large earnings, thanks to the rest-and-recreation spending by US servicemen in Bangkok. These flows of income have considerably shrunk in the course of 1974 and in any case business has certainly slumped in Bangkok's night clubs and massage parlours as the United States started pulling out of its massive engagement in Vietnam. The bases in Thailand have also been directly affected by the steady withdrawals of US military person-

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* As we go to press it has been announced that Mr Seni Pramog has been elected by a voice vote — Ed.

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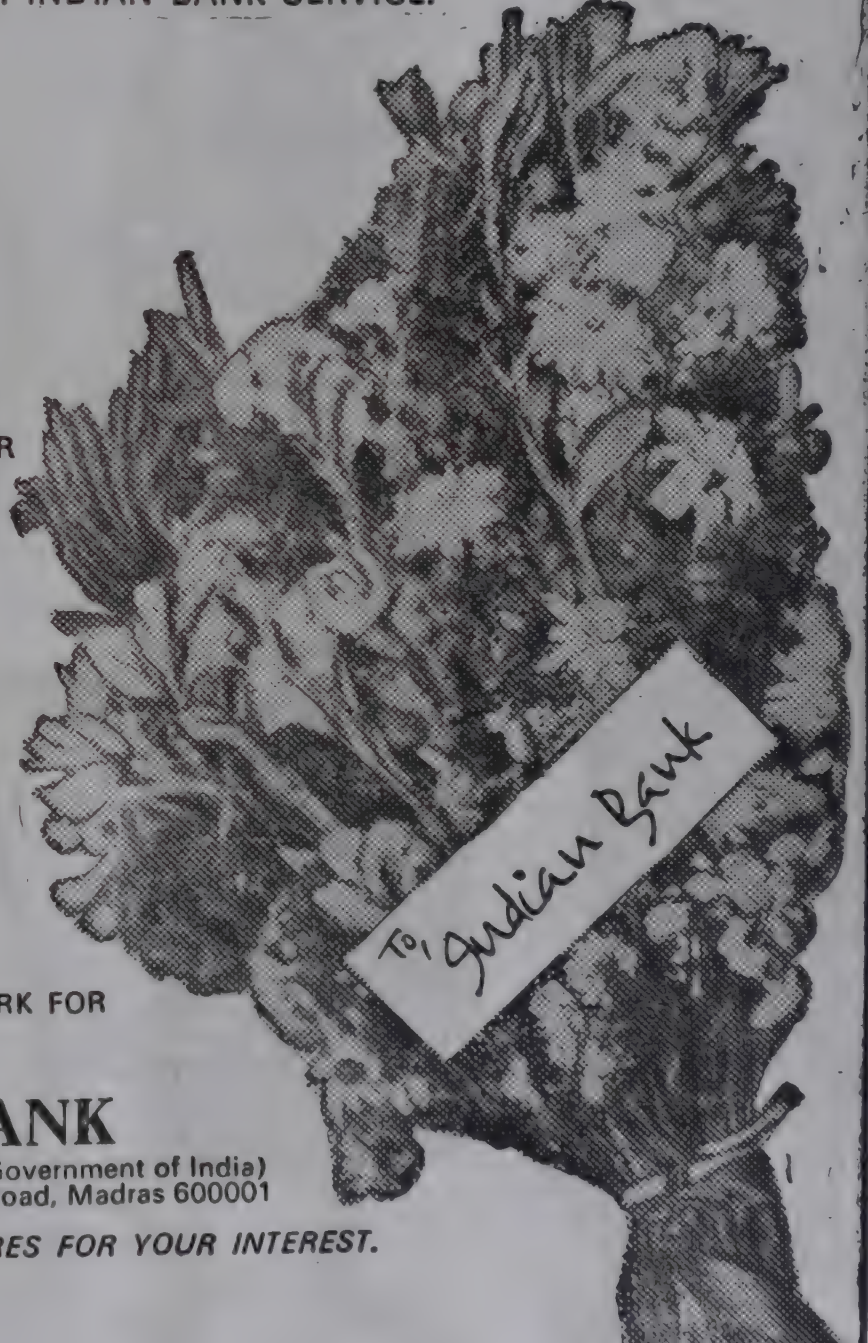

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rom that country. It is interesting to that, even in October 1973, when ent activists rose against the Thanom me, there was not much shouting of nkee, go home" and right now there ns to be little controversy over the aining US presence among the political ies, with neither the right nor the inclined to make an issue of it. If e is any coherent attitude at all to- ds this question, it is perhaps a general v that the Americans might as well on till some kind of peace comes Thailand's strife-torn neighbours, there- moderating some at least of the many itical and military pressures impinging its border areas.

vards stability

t is of course only too true that sooner later Thailand itself should assume the nary and the ultimate responsibility working out a conjunction of political l military means which could bring out an end to the violence and lawless- s which are ravaging life and economy in ny of the areas vital to its security and portant for its agriculture and industry. s is probably the most urgent task facing new government in Bangkok. Next in order of priorities, perhaps, are certain eign policy issues highly relevant to progress of the economy. Sooner or er Thiland will have to cultivate gainful itical and economic relations with ina. Not that there is anything like a uum there even now. Although Bangkok not yet established diplomatic relations h Peking, for quite some time now Thai vernments have been taking a permissive w of traders making their own contacts. is however being increasingly realized t more positive initiatives are necessary d have become possible.

In December last, Bangkok sent a high el trade mission to Peking for nego- ting a firm agreement or establishing ect trade relations. This mission lowed the National Assembly scrap- ng formally a 15-year-old ban on trad- g with China. One result of the mission s a decision to set up a state trading rporation in Thailand to deal with ose countries which, like China, operate te trading organizations. It is expected at Thailand would be able to export e, rubber and tin to China, which is eady selling Thailand machinery, iron, w silk and petroleum products. The reement contemplates commercial tran- ctions between the two countries on a sh or "parallel trade basis" rather than ough barter agreements. Incidentally hina had sold Thailand earlier in the ar 50,000 tonnes of diesel oil at a rate scribed as a "friendship price." It has en indicated however that in future Thailand will purchase China's petroleum products at prevailing world market levels. The China council for the promotion of international trade is expected to visit Bangkok in due course to finalize specific transactions and the prices and quantities of particular commodities to be traded between the two countries.

Quite naturally this move on the part of Thailand to start trading directly with China has kindled discussion on the prospects of the two countries establishing diplomatic relations with each other. With Thailand currently recognizing Taiwan, Bangkok is disposed to be cagey, at least for the time being. Questioned on this point Thailand's deputy minister of Commerce, Mr Prasong Sukhum, who led the trade mission to Peking, warily told journalists in Peking that "we have talked about trade and this will lead to other relations, but the pace will be to the liking and convenience of both sides." Now that Thailand has held a general election and a new government is about to assume power in Bangkok, it could be expected that the issue of Thailand establishing diplomatic ties with China will be activated.

While the new government in Bangkok will have to innovate in the matter of Thailand's relations with China, it will have to renovate its relations with Japan. Curiously enough, while there is little popular animosity against the Americans and instead there is a general readiness even to be grateful for the financial fallout of US bases and other aspects of American military presence in southeast Asia, there are strong undercurrents of uneasiness or even resentment against what seems to be regarded as neo-colonialist economic penetration by Japanese big business.

cheap consumer goods

Although young Thais seem to revel in the Honda, while Thais of all ages and most descriptions seem to appreciate only too well consumer goodies such as Japanese cameras, transistors and watches, there seems to be a feeling that Japan is trying to sell too much too fast in the Thai market. It is no doubt true that, while Thailand has generally been enjoying a substantial surplus in its aggregate foreign trade, it has considerable payments deficit in relation to Japan. But then it is not at all clear that the Thai-Japanese trade has been to the disadvantage of Thailand. On the contrary, the standard of living of the Thai people, especially of the middle class, may have appreciably improved through the opportunities available to them for spending money incomes generated for instance by American spending on low-priced Japanese consumer goods.

Nevertheless, even the authorities in Bangkok are known to have been somewhat resentful of Thailand's trade deficit with Japan. There was for instance an occasion late in 1972 when it was suspected that the authorities were not lacking in sympathy for a boycott of Japanese goods which the student activists had organized. Although agitations of this nature have not had any enduring impact on sale of Japanese goods in Thailand, they have certainly helped to keep alive certain deepening feelings of protest or resentment. It is indeed so very easy to recall the reception which the then prime minister of Japan, Mr Kakuei Tanaka, had when he visited Bangkok in January 1974 in the course of a goodwill tour of southeast Asian countries. Although the student demonstrators in Thailand's capital were mercifully much less violent or destructive than the agitators in Jakarta where Mr Tanaka went subsequently, they certainly made it clear that economic cooperation between their country and Japan would have to reckon with a number of emotional or even neurotic road blocks.

bridging the gap

It is a favourite pastime of commentators on Japan's economic policies in southeast Asia to pontificate on the need for the Japanese to learn to communicate with the people of other cultures. Surely it would be equally relevant to point out that, if southeast Asian countries are indeed in earnest about benefiting from Japanese resources and expertise in industry and trade, their leadership should also assume some responsibility for bridging the cultural gap. In any case, the distribution of blame apart, the sad truth remains that the psychological climate for fruitful cooperation between Japan and several southeast Asian countries on the basis of mutual advantage remains to be generated through shared effort. Viewed in this context the rethinking that seems to be going on in Japan over investing in industries in Thailand is not difficult to understand.

A conspicuous expression of this rethinking was the decision taken by Mitsu and Mitsubishi in September last year to pull out of a deal worked out in May 1973 to build and operate a petrochemical complex about a hundred miles southeast of Bangkok. This project, which was to have cost US $ 400 million, was to be a 50 : 50 joint venture with Thai partners. It aimed at producing plastics and detergents for the home market, which would have helped to save

Thailand some US $ 45 million a year on imports. The Japanese firms abandoned the scheme on the ground that further investigation had shown that the local plastics market would not be able to support production on the scale contemplated. It was also stated that the proposed project had become less feasible economically since its cost estimates had escalated since the original estimates. Apart from these openly stated reasons the Japanese firms were also reported to have been influenced by the political uncertainty in Thailand and the lack of enthusiasm among at least some sections of the Thai people for a large Japanese industrial presence in that country. On the assumption that Thailand needs foreign know-how and investment, as so many countries in south or southeast Asia do, for supplementing domestic resources available for the growth and diversification of industry, it should certainly be one of the more important items on the agenda for a new government in Bangkok to enunciate consultations with the Japanese government and firms on an agreed programme of Thai-Japanese joint ventures.

regional cooperation

Thailand has fairly close economic relations with neighbours such as Malaysia, Indonesia and the Philippines. As one of the important producers of rubber, copper, lumber and tin in the region it stands to gain by participating in a regional effort to coordinate production and export policies for these commodities. This is an area where its government has been encouragingly active. There is a ready demand for its rice in Malaysia while its growing manufacture of jute and kenaf sackings has been helped by the availability of a market in Indonesia. Textile, paper, sugar and the cement industries are among the country's growth industries. Japan imports sugar from Thailand; and recently the Siam Cement Company, a semi government-owned organization, signed a contract with Saudi Arabia to sell 336,000 tons of portland cement. This transaction is noteworthy for two reasons. In the first place it is a token of Thailand's interest in tapping the rich potential of the oil-rich states as markets for manufactured goods. Secondly the deal suggests that the Thai cement industry is becoming internationally competitive, thanks to a sound and expanding production base. The total output of cement this year is expected to be about 3.8 million tonnes, with domestic demand running at three million tonnes.

A few Indo-Thai joint ventures are now in operation and some more are in the process of implementation. The Indo-Thai Synthetics Company Limited has been in production for some time and its output of spun viscose rayon yarn, polyester yarn and acetate/viscose yarn is popular in the domestic market and is also being exported to Indonesia, Australia, Afghanistan and some of the European countries. This firm is undertaking an expansion scheme for which there is satisfactory scope since the Japanese man-made fibre industry is being priced out of most of its markets in southeast Asia due to its high labour costs and increased expenditure on anti-pollution technology.

search for oil

As in so many countries around the world, there is considerable excitement in Thailand over the possibility of oil discovery. Indeed prospects for Thailand drilling its own oil became bright when two discoveries were announced in the Gulf of Siam some time ago. Change of governments and political uncertainties seemed to have come in the way of these discoveries being followed up vigorously or a substantial oil exploration programme being mounted. Here again is a matter to which a new government will be expected to give its attention. If Thailand could establish its own production of oil, it could also help it to realize more easily its plans for a petrochemical industry and in particular a fertilizer industry.

The world boom in commodity and raw material prices has enabled Thailand, with its rich natural resources, to enjoy a certain measure of domestic prosperity as well as an enviable strength in balance of payments. However, with rubber prices falling and the export demand for lumber being affected by the slowing down in construction industries in many industrial countries due to recession, Thailand has need to address itself vigorously to tapping the potential of its agricultural and industrial economy for growth and diversification. This is all the more important because much of its rice and rubber growing areas are in border regions where chronic lawlessness and the depredations of marauding gangs are taking a heavy toll of rural production or productivity. Meanwhile in an attempt to promote stability and boost morale in the rural areas, the National Assembly has passed a Land Reform bill aiming at the provision of more land for the smaller farming families which are expected to increase in number from five million households to seven million in the next 10 years.

Thailand's population had been growing at an annual rate of about 3.1 per cent since 1960 and is now over 40 million. Its people are industrious and they are also mobile, with the younger generation developing a taste for urban life or at lea urban standards of living. There is thus movement towards an industrial cultur as is evidenced by the success of sophist cated industrial plants in sectors such a light engineering and electronics. Ther is, for instance, the National Thai Com pany, a Thai-Japanese joint venture, whic has grown rapidly to employ 700 worker in its ten factories. These plants produc electric fans, dry batteries, storag batteries, radios, television sets an stereo sets and has found markets fo its products in Europe, Japan and th United States.

It is clear that, if Thailand is to improv on its GNP *per capita* growth rate, whic was of the order of 4.6 per cent in the peric 1960-72, it will have to address itself ser ously to well-defined objectives of econc mic development. Many of them wi necessarily have to lie in the area of ir dustrial expansion but it does not mea that Thailand's rich agricultural resourc cannot participate substantially in tl country's further economic developmen On the contrary, there seems to be goc scope for the expansion of soya bea production as well as the establishment palm plantations. This could help als the promotion of more agro-based indu tries. Thailand already produces tropic fruit in rich abundance and variety. Fru canning and processing could grow pe haps faster in the future than it had do in the past. For all this local initiative a enterprise must naturally provide a ba but the economy certainly stands to ga a great deal by developing a liberal phil sophy towards foreign enterprise and i vestments.

planned development

As Thailand grows economically, t problems of regional development a planned urbanization come increasin to the fore. Even as it is, one out of eve four Thais lives in Bangkok. Part of t overcrowding of Bangkok is certainly be ascribed to the lure of the GI dol during the peak or the plateau of R and Recreation. Even otherwise the had always been and there will perha continue to be a steady stream of peo from the rural areas in search of a liv hood. This stream has not always r clear. On the contrary it has been mu died by a traffic in young girls mostly fr the northern villages. It is claimed t many of these young people are able return to their parents in more or l good shape after a stint of domestic s vice in Bangkok households. Where large number of them, however, se to work for their dowry is under the less reputable auspices of Bangkok's pr ferating brothels.

Even after the worst is said or writ

out the legacy of US military presence in st or southeast Asia, it should still be ssible to mention something worse still hich is that the GI dollar has vulgarized trageously what has been described as e "make-no-bones sexuality" of simple mmunities in many east and southeast sian lands. I should however add in fair- ss that not all of the commercialized ce in Thailand is to be attributed to the free spending of the GIs. Within a few miles of Thailand's border with Malaysia a massive prostitution industry is reported to be functioning and catering mainly for customers from Malaysia intent on weekend pleasure. Meanwhile the ECAFE is building for itself a multistoreyed headquarters in Bangkok. Incidentally, it is amazing that UN agencies, allegedly serving the poor of the world, should be so greedy about housing themselves in sprawling expanses of glazed and concreted space. It is perhaps not unreasonable to suggest that the economic progress of Thailand is not to be judged by the obtrusive affluence of the ECAFE bureaucracy. On the contrary, a worthier indication of Thailand's economic progress in the future ould be the measure by which sex in Bangkok ceases to be on tap.

(*to be continued*)

Boost to European confidence

Vienna

E.B. Brook

VERAL SIGNIFICANT developments have mbined to change the dreary face of est Europe's economics and to make a trifle more promising. The west ıropeans and the USA have begun their scussions on how best to prepare for rect collective negotiations with the ajor oil producers; the Common arket's Commission has agreed on a an to protect any member state from ying an unfair share of the Market's nning costs which may save Britain so gnificant a sum—some have spoken of 00 million a year, though this should taken with reserve—that all but the ost stubborn objectors may now agree continue British membership on the proved terms. At the same time Mr ilson's visit to the USA combined with major British concession over projected troleum revenue tax to companies everal basically American) with gas elds in the British sector of the North a and the announcement of the British ur-year plan to cut the UK's mounting lance-of-payments deficit (£3.7 billion st year) have combined to revive the dly flagging American confidence in itain's future. Simultaneously, France s been making a major go-it-alone fort with Egypt, following very successl commercial negotiations with Iran, to vive its former considerable influence in est Asia.

verall effect

The overall effect, combined with a nerally good showing in exchange rates European currencies against the dollar, s been to give European confidence needed shot in the arm. The 18 onths since the four-fold increase in oil ude prices staggered them with a humiting realisation of their economic vulerability, the still steadily mounting flation and unemployment and the need live more carefully have their salutary pects, but major industrial countries nnot thrive nor benefit world commerce nerally in an expressively prolonged of depression and resignation. The en deeper dejection currently in the en more sensitive USA could have the same cramping effect if prolonged: the current squabbling between the Congress and the President over economc measures of American self-help are a measure of that depression.

The discussions on oil-consumer cooperation in Paris to prepare for negotiations with the producers are not going easily. Washington is insisting on solidarity in financial and conservation planning and in promoting new energy sources as its condition for holding talks with the producers. It wants what would be in effect a minimum import price for energy to ensure that necessarily large investments in alternative sources will not be jeopardized. The French consider the Americans want to keep energy prices too high and the West Germans have clashed with the Americans on how to raise the money for the huge 25 billion dollar mutual aid fund of the consumer nations to defray prospective oil payments deficits. West Germany considers the American plan is too inflationary and that the US plan for a financial pool as a source of loans to industrial countries in deficit for oil payments would be merely generating new money and blowing up already dangerous inflation in the major industrial states. W. Germany would prefer the Bank for Industrial Settlements, acting as agent for the industrial nations, to borrow the necessary funds in the market place. The American plan put forward by Dr. Kissinger would, in the view of W. German bankers, involve reshuffling industrial countries' reserves and that it would help very little if at all, in dealing with the excessive supply of "petrodollars."

Whatever form the scheme takes eventually it is unlikely to come into operation before late spring since it will require ratification by national parliaments. The oil producers' attitude to the schemes for re-cycling their "petrodollars" is that very few had shown themselves ready to admit that the oil producing countries should play a greater part in the international monetary system. The government most obdurately opposed to this idea is the American: the French and W. Germans have shown themselves much more flexible, although the W. Germans have taken nervous precautions against further heavy oil-producer investment in their most sensitive industries. The French and the British have been busy fixing industrial cooperative deals with Iran and Egypt and British financial agencies are arranging to help establish an international capital market in Tehran.

exdessively anxious

In general, the Europeans consider the Americans are excessively anxious about the petrodollars. Like the Eurodollar, which became a financial phenomenon in the last decade, the petrodollar is accepted as having come to stay and the wise, think the Europeans, will work out ways by trial and error of how to work with it and not how to cramp and exclude it. The American trades unions, the last word in American protectionism, have revealed the transatlantic mind by recommending exclusion; the European, partly because more dependent on West Asia for industrial energy and partly because he has for long been accustomed to doing business there, is far more flexible and cooperative. This month's summit meeting of the principal oil exporting countries to fix oil prices geared to inflation rates will be significant not only to oil revenue earners but in inflencing the reactions of the biggest oil buyers in west Europe whose own oil is likely to begin flowing significantly this year. The first oil from the British Forties Field is expected to be landed by October and the Norwegians are expecting sizeable production by next year.

A fall-off in West Asian prosperity would, in any case, not suit the west Europeans at all. Their long-term industrial supply and cooperation agreements with the oil sheikhdoms, Iran and Saudi Arabia look to continued prosperity and ample funds in those areas. Britain, France and West Germany are equally interested in seeking their West Asian cooperators continue to flourish. The bankers' talk of a drying-up of oil-earners' funds may be regarded as something of a gimmick to induce the Americans to less aggressiveness in the Paris talks over the 25 billion dollar fund which Europe has never liked and agreed to discuss principally with the idea of either cutting it down in volume or diverting to more orthodox methods of financing.

What worries west Europe now more than the oil charges and ths volume of petrodollars is the continuing instability of its own exchange rates and the politics of exchange rate intervention. These policies may undergo changes fairly soon to counter excessive appreciation of strong currencies. Some countries may also cease to support weak currencies as the need arises to fight unemployment and recession rather than inflation.

West German unemployment is now well over the million mark at 1,150,000 (some 400,000 more than in Britain) and only the luckier small countries are now free of worrying rising worklessness. Under the present mixed system of exchange rate intervention some governments control their currency's rate strictly while others let rates float relatively line with market forces. In this way t mark, the guilder and the Swiss a Belgian francs have been allowed to ri to help reduce domestic inflation. emphasis shifts to fighting unemploymer nations with strong currencies can be e pected to counter excessive rises whi deficit countries may allow their exchan rates to depreciate. If this occurs the may be a fall in exchange rates whic could, affect price changes for oil suppli and make funds set up to counter pa ment difficulties less effective.

Strategy in foreign trade

S.P. Chopra

"INDIA CAN expect to expand its trade with the USA in the long-run but for this purpose many steps will have to be taken."

This was stated by Mr Peter B. Kenen, professor of Economics and International Finance, Princeton University, in an exclusive interview in New Delhi.

Elaborating his thesis, Prof Kenen said that one characteristic of the US market was its enormous size and the tendency of the American sales' outlets to expect quick deliveries conforming to rigorous quality standards. They got very upset when they did not get what they had ordered. Naturally an exporter not used to supplying large quantities of goods of high quality and rigorous specifications was unable to face this challenge. In India where the emphasis was on encouraging the small-scale producer to export, a way will have to be found for overcoming this difficulty.

Prof. Kenen suggested the formation of cooperativs or consortia of exporters among the small-scale manufacturers. Alternatively, the priorities in regard to exports, he said, will need to be changed so as to encourage increasingly the large-scale manufacturers to tap the US market.

Fortunately, thinking in the government of India is veering round to providing extensive assistance to exporting industries, both big and small, and making basic changes in its industrial policy to stimulate production for exports. The setting up of the Santa Cruz Electronics Export Processing Zone (SCEEPZ) near Bombay where licences for manufacture have been issued to industrial units, some of which were debarred from producing for the home market, shows that an all-out effort is being made to push up exports. And for this purpose, the distinction between the smll-scale and large-scale manufacturers has been practically eliminated. While all the production at SCEEPZ was reserved for exports, many new manufacturing licences were being issued in this country with the explicit understanding to export a part or whole of the output.

Prof. Kenen emphasised the importance of flexibility in meeting the demands of the US market. He was of the view that administrative controls tended to stifle the growth of export trade. He recommended simplification of import control so that Indian firms may respond flexibily to export opportunities.

joint ventures

Prof Kenen also recommended the establishment of joint ventures for export production. He added, "I am not saying India should welcome multinationals with open arms. I am not saying that multinationals have always behaved themselves." He thought that their cooperation in increased trade could be enormously helpful because they themselves could be the marketing outlets. And also, they themselves could be the channel of communication.

The present recession in the USA, according to Prof Kenen, was linked to the hike in oil prices, though not caused by it. The American economists had been predicting this recession for some time on the basis of economic developments within their country, especially the stringent financial and monetary policies pursued in order to curb inflation. But there was little chance of the recession developing into a depression of the kind witnessed in the twenties and the thirties of the present century. However, the present slowdown or recession in the USA and Europe will inescapably have an unfavourable impact on trade between the developed and the developing countries including India. This may turn out as a temporary phenomenon and production may once again pick up both in the USA and Europe if the situation were handled intelligently. It all depended upon the attitude of the deficit cou tries. If they became inward-looki and adopted restricted import policie the world trade would shrink ar severely retard the growth in trade of t developing nations.

Prof. Kenen emphasised that high pric of oil were not likely to prevail for ev If the USA adopted policies designed conserve the use of oil and activised energy policies, and other countries a altered their policies and the discover of oil continued at the present ra the world may become surplus oil and the OPEC nations may find hard to maintain the present high policies. It was a typical history of car he added. When the differences in outlooks of the OPEC nations exen themselves within the next two to th years and the supplies of oil exceeded mand, there would be disunity in reg to the cut in production. And no won that prices might tumble once agai "I do not think that we should base our economic strategy on the assur tion that $ 10.35 a barrel of oil is a pr which will be with us for the next years", said Prof. Kenen. And with downfall in the price of oil and also other commodities, the world markets n certainly face uncertainty.

Describing the importance of outwa looking strategy for developing countr Prof Kenen said that continent- countries such as India and Brazil co adopt inward-looking policies so as encourage self-reliance and could survive but a majority of the develop countries had to rely on export promot for meeting their needs. In the pres crisis, even countries of the size of In had to adopt outward looking policie as to increase export trade. The impl tion of the oil crisis was to adopt a surv strategy i.e. to adopt a policy whereby ports could be pushed up so as to earn reign exchange for buying food, oil, f lisers and other essential raw materi

MOVING FINGER

e other day, on an IA t from Bombay to New Delhi, I ght that the passenger next to me was aps in low spirits. Intending to cheer up, I drew her attention to a news item e papers that morning. It was about Margaret Thatcher's election as the er of the Conservative party in the UK. fellow-passenger's response was rather esting. She said that she cared little politics and even less for women in ics. I asked her whether this was be- e of our experience of Indian politics ell as of women in Indian politics. said that this could be the case but not whole case. The aversion she had ex- sed was also of a general nature.

nce, in this case, the particular ened to interest me more than the ersal, I asked my fellow passenger : it was that distressed or repelled her, in Indian politics and, secondly, women in Indian politics. She ed that Indian politics was too a subject to be discussed within the time we had before the plane landed alam airport, but she would certainly o express herself on women or, rather, ne woman in Indian politics.

e then went on to talk about a reveal- eport in *The Times of India* last week. d said that, when Mrs Gandhi recently to Bombay to inaugurate the YWCA nary celebrations, the state govern- had improvised a conspiratorial back nce for her so that she could escape confronted by a group of women nstrators who, the report said, had ed a hot reception for her.

y fellow-passenger, who had become animated by the time she came mment on this disgraceful mano- — as she termed it — maintained had Jawaharlal Nehru been involved is incident, he would never have up with it. I ventured to suggest while it might be permissible educe from this happening that the r and the daughter were clearly birds of a different feather, it would be far-fetched to infer that women in politics, as a class, were necessarily of a lower order of human beings or even politicians than men in politics, as a class — to which the flattering response I received was, "You men are all hypocrites."

This reminds me of a conversation I had quite some years ago with another woman (who attends to the home sanitation at my place). It was in that hectic period preceding Mrs Gandhi's mystic decision that the only proper way for legislators to elect a president for our republic was to vote according to their conscience. At that time it was being said that Mrs Gandhi had suggested that the working committee might perhaps agree on Mr Jagjivan Ram as the party candidate for the office. I asked the woman who works at my place whether it would not be a great thing were Mr Jagjivan Ram indeed to become president. Her reply was in two parts, both of which were interesting in their respective ways. She said that she did not think that it would be a big thing for Mr Jagjivan Ram if he were chosen for that office and she added that, whether Mr Jagjivan Ram became president or not, she and the people of her community would have to continue to earn a living by cleaning lavatories, dredging sewers or sweeping streets.

All this makes me think that, apart from women being good for politics or not, or politics being good for women or not, womankind is essentially a race of practical beings. In contrast, men tend to be sloppy in their thinking on many matters. Take, for instance, the comments or cartoons that are appearing in the newspapers in the last few days. It has been put out, for instance, that Mrs Margaret Thatcher's election is somehow significant for the "International Women's Year" which, incidentally, is yet another UN racket, like the "International Population Year" of 1974 or the "Development Decade" of infamous memory. If any of us in this country is really serious about women's status improving during this year, there are certainly lots of things to be said or done other than spouting nonsense about the significance of women prime ministers, actual or potential. For instance, it is high time that legalized abortion had become a facility available reasonably freely to all those women who need it or seek it.

Not very long ago, Dr Karan Singh invited some of us, local journalists, to lunch at Ranjit Hotel and asked us for our views on how the population control campaign could be stimulted or otherwise improved upon. I must confess that, although the minister was patently serious, the numerous courses of rich Kashmiri fare that were being served kept the teeth chewing so busily that the tongues had little chance of wagging. In deferred payment for that food for the body, I may offer the Health minister a morsel of food for thought. A few days ago there appeared in the newspapers an advertisement by the Giants Group of Juhu, Bombay, announcing the opening of a new abortion and family planning centre in a suburb of that city where this organization is already running two such centres in two other localities. The advertisement made the following valuable points:

(a) Abortion is a woman's right — it does not need the husband's permission;

(b) Abortion is legal up to 20 weeks and very safe up to 10 weeks; and

(c) Abortion can be performed for any of the following reasons: unwanted pregnancy; forced pregnancy; contraceptive failure; poor health; defective child, or physical or mental harm.

May I suggest to Dr Karan Singh that the priority for the family planning department of his ministry in the current year should be the maximum possible encouragement of voluntary or semi-official associations which are organizing or are willing to organize networks of modern abortion centres in cities, towns or, perhaps, rural areas? It is to be assumed of course that these centres could and would simultaneously propagate sterilization of persons of either sex who are willing or can be persuaded to practise positive birth control in as effective and simple a manner as possible.

VB

TRADE WINDS

Indo-Soviet Cooperation

A SOVIET team of experts headed by the Heavy Industry minister, Mr Goldin has had detailed discussions with the union minister for Indutry Mr T. A. Pai to identify the areas where the collaborations in third countries can be started. The collaborations will not be confined only to Soviet-aided units in India, but will cover other public sector plants, where this country has substantial idle capacities. It has been found that the part of the equipment needed by the Soviet Union to set up some important units in several developing countries can be provided by India. Whereas capacities in some of these areas are substantially under-utilised, industrial capacities for the corresponding equipment in the USSR are fully booked. The proposed collaboration in third countries will thus help both countries.

The Heavy Engineering Corporation and the Hindustan Machine Tools will play an important part in the proposed third country collaborations. The Soviet minister's visit to the important Indian units has led to the optimism that the proposed collaborations can start soon. Experts of two countries will work on the details of the available capacities.

National Seeds Project

A Rs 240-crore National Seeds Project aimed at complete self-reliance in seeds, an important input in modern agriculture, is to be launched soon by the union Agriculture ministry with the active participation of the the state governments, agricultural universities and other related agencies. World Bank will extend 50 per cent financial assistance to the project and its main executing agency would be the National Seeds Corporation (NSC), according to Dr D.P. Singh, the newly appointed joint chairman of the NSC and the State Farms Corporation of India (SFCI).

The proposed seeds corporations at state levels would be incharge of multiplying the certified seeds and distributing them to farmers. A high-level team headed by Dr Singh to assist the state governments is at an advanced stage in finalising the state seeds corporations and the entire project would be scrutinised by the joint working team of the World Bank and the government of India by April next. Besides the NSC, SFCI and the state governments, the Indian Council of Agricultural Research, agricultural universities, agro-industries corporations, Agricultural Refinance Corporation, apex cooperatives and scheduled banks also would participate in the national seeds project.

Company Deposits

Rules notified by the government for acceptance by companies of deposits from the public have come into force immediately according to a press note issued by the ministry of Law, Justice and Company Affairs. The press note pointed out that invitation for deposits or acceptance of deposits by the companies can now be only according to these rules, under Section - 58(A) of the Companies Act, which were published in a gazette extraordinary on February 3. Any infringement of these rules on their part shall make them liable to penal action as prescribed in these rules, as well as, under Section 58 A of the Companies Act. Any existing deposits, accepted in violation of the Reserve Bank of India, the press note said, should now be repaid in full by the companies on or before April 1, 1975. Failing this, the company concerned shall be punishable with fine which shall not be less than twice the amount in relation to which repayment has not been made. The rule apply to companies which are not banking companies and or financial companies. (The details of this press note appear in Records and Statistics section of this issue on page 372).

Credit to Priority Sectors

There has been an increase of over 36 per cent in the number of borrowal accounts of public sector banks to the priority sector industries from June, 1973 to June, 1974. The borrowal accounts have increased from 19.22 lakhs to 26.16 lakhs. The agriculture sector accounts for five lakhs of the seven lakh additional accounts i.e. a little over 70 per cent. Apart from agriculture, the priority sector industries include small-scale industry, road transport, retail trade and small business, professionals and self-employed persons. The advances covering these accounts have gone up by 30 per cent from Rs 1,292 crores at the end of June, 1973 to Rs 1,688 crores at the end of June 1974. The outstanding credit to the priority sector in June, 1969, was Rs 441 crores covering 26 lakh borrowal accounts.

West German Bank Rate

The West German Bank Rate has been reduced from six per cent to 5.5 per cent from February 6, 1975. The move was made by the Board of the Bundesbank. Mr. Karl Klasen, the Bank's president, stated that advances against security were also cut by 0.5 per cent to 7.5 per cent.

French Credit

France has extended a fresh credit of Rs 57.80 crores
to India for 1975-76. The a
sistance would be 15 per ce
more than the credit of F
50.27 crores received in t
current year. France is t
first member of the Aid Ind
Consortium to conclude
development assistance agre
ment for 1975-76. The pr
tocol for the agreement w
signed in Paris recently.

Iron Ore Export

The Minerals and Meta
Trading Corporation has fo
mulated plans for export
17.7 million tonnes of iro
ore in the next financial ye
This represents an increase
2.7 million tonnes over t
target of 15 million tonn
fixed for the current year. T
export plan for 1975-76 is sa
to be tentative and a firm
dication will become avila
by the end of March. A p
cise target would then
keeping in view all the facto
including the performance
1974-75. Of the 17.7 mill
tonnes, the MMTC has pl
ned to sell iron-ore of
order of 6.8 million ton
through Vishakhapatnam p
followed by 3.4 million ton
through Madras. Goa
handle 1.08 million ton
Karwar Belikeri 670,000 ton
and Haldia 600,000 tonnes.

Because of various fact
mainly the railway strike
April-May, the MMTC
not been able to maintain
anticipated levels of iron
export this year. Exports
to January, have tota
about 8.5 million tonnes.
though all-out efforts are
ing made by the MMT
increase export during
ruary and March, there
be still a shortfall of 3
million tonnes. The total i
ore exports this year are
ly to be 11 to 12 mi
tonnes against the targ
15 million tonnes which
subsequently revised tc
million tonnes. Thus fo
third successive year, the
poration will not be at
ing the targets fixed for
ore exports.

Commodity Stocks

An eleven billion d
multi-commodity buffer

back 18-key primary pro-
s in world trade has
n proposed by the United
ions Conference on Trade
Development.

Management of stocks is
isaged in the hands of
international agency, ba-
d by a common fund sup-
ted by importing and ex-
ting countries, with additi-
l financial support from oil
ducers and international
ncial institutions.

AL

The Hindustan Aeronau-
Limited, a public sector
ler taking under the minis-
of Defence, has doubled
profits during 1973-74, The
profit being Rs 9.49 crores
inst Rs 4.76 crores during
previous year. The value
production increased to
98.10 crores, showing a
per cent rise. Sales went up
5 per cent touching the Rs
crore mark. The undertak-
has declared two per cent
idend on the paid up equity
ital of Rs 56.91 crores.
es of MIG complex of
undertaking during the
r rose to Rs 42.4 crores and
t of the Bangalore complex
Rs 37.37 crores, register-
an increase of about Rs
rores each. Sales of Kanpur
ision may show a substan-
increase when the seven
-748 passenger aircraft are
ivered to the Indian Air-
s. The design wing of the
pany has successfully de-
ed and developed the
icultural aircraft Basant,
jet trainers Kiran, Marut
an improved version of
famous Gnat known as
t.

lbraith on Socialism

Prof. John Kenneth Gal-
ith, economist and a farmer
Ambassador to India
ently underlined the need
the developing countries
take into account the fact
administrative capabilities
ny programme of sociali-
on. Delivering the first
ure in the Ajit Bhagat
norial lecture series at
medabad, Prof. Galbraith
l that the single feature of the developing countries with low income was that public administration resources were scarce. Where public ownership is concerned, public administration is obviously a thing of importance, he asserted. Any new public action in developing countries such as India added a new burden to an already well-burdened administrative machine which did not expand easily and competently. All such action should be considered in relation to the conservation of administrative resources.

Prof. Galbraith observed that there was reason to believe that socialism was a more manageable thing in the developed countries than in the under-developed nations. The fault in the social design was that the affluent countries had the resources for socialisation, which they did not need or would not use, while these were denied to the developing nations. Socialisation could come more easily after

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On January 7, 1975, the Government of India issued a special Ordinance.

Under this, an investment upto Rs. 25,000 in Units is totally exempted from Wealth-Tax. This is over and above the existing exemption limit of Rs. 1.5 lakhs, for investment in Units and other specified categories of investment.

And what's more, now an income upto Rs. 2000 from Units alone, is also totally exempted from Income-Tax. This, in addition to the existing limit of Rs. 3000, on income from certain approved investments, including Units.

Both these concessions are operative for the tax returns to be filed for the period 1.4.74 to 31.3.75, for the assessment year 1975—76.

Application forms available at :—
UNIT TRUST OF INDIA
- 45, Veer Nariman Road,
  Bombay 400 023
- 8, Council House Street
  Calcutta 700 001
- Reserve Bank Building
  Fort Glacis,
  South Beach Road,
  Madras 600 001
- Reserve Bank Building
  6, Parliament Street,
  New Delhi 110 001

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davp 74/455

a certain stage of economic development. Prof. Galbraith made an exception about China in the argument that socialisation was more suited to developed countries. China, he said, had an exceptional capacity for organisation. While pleading for a definite but limited action in regard to socialisation in the developing countries, it was easy to manage a few large corporations under public ownership than to manage small and numerous enterprises. Agriculture and retail trade were better left in the private hand.

Take-over of Banks in Sri Lanka

All foreign banks in Sri Lanka will be nationalised by the middle of this year for which necessary legislations are being drafted. This was announced by the Sri Lanka Finance minister, Mr N.M. Perera, while opening a branch of the state-owned Bank of Ceylon at Jaffna in the Northern Province. Nationalisation of foreign banks was one of the election pledges of the ruling United Front comprising prime minister Sirimavo Bandaranaike's Freedom Party, Trotskyist and Communists. Three Indian banks — Indian Bank, Indian Overseas Banks and State Bank of India—have branches in Sri Lanka.

Accountants' Meet

President Fakhruddin Ali Ahmed recently called upon accountants to evolve a code of conduct enjoining strict adherence to a set of ethical standards. Such a self-imposed system of discipline would create confidence and faith of the general public in the profession. Mr Ahmed was inaugurating a Commonwealth Conference of Accountants under the auspices of the Institute of Chartered Accountants of India as part of its silver jubilee celeberations. Some 1,300 delegates, including 60 from 14 foreign countries participated in the conference. Calling for a reappraisal of the role of accountancy profession, the President said new management techniques, were being evolved progressively in developing countries to hasten the pace of development. The role of an accountant, crucial for management system, was therefore assuming increasing importance. He stated that rising costs, increasing overhead charges, competition, complicated fiscal laws, administrative difficulties have created new situations but any dynamic and growing profession must be ready to meet the challenges of the times. Mr Ahmed noted that to serve the most complex and technically sophisticated unit of modern industry, the accountant of tomorrow has to attain the ability required for increasing productivity, controlling costs and evaluating efficiency. He expressed the hope that the members both in the accountancy profession and in industry would equip themselves well to be able to draw up effective system and apply it efficiently to the satisfaction of all concerned.

Wood-based Panels

The developing countries, which possess more than half the world's forest resources, account for only nine per cent of the output of wood. Dr A.H. Boerma, FAO Director-General, pointed to this lack of balance in wood production while addresing the inaugural session of the third World Consultation on Wood-based Panels in New Delhi recently. He called for vigorous expansion of the panel industry in developing countries as it required a shift from exports of logwood to more local processing, thus generating more income. The 11 day world consultation which is being organised by the FAO and the government of India, is being attended by more than 700 delegates and observers from about 60 countries. It will discuss important questions of supply and demand of wood as a raw material, the international wood panel trade, technical progress in wood panel technology and of the economies of investment and manufacture. More than 140 scientific papers have been submitted on recent developments in the fast-expanding fields of plywood, fibre-board and particle board production and utilisation.

Inaugurating the conference, President Fakhruddin Ali Ahmed stressed the need for technology suited to local conditions to be evolved in India and other developing countries for manufacturing wood-based panel products at costs within the reach of the common man.

Conference on Power

With the commissioning of the third unit of 100 MW at Badarpur shortly, the Faridabad station stabilising and its second unit and the Bhatinda second unit expected to be commissioned in October and August respectively, together with the good snowfall this winter augur well for the inflows to Bhakra, the union Energy minister, Mr K.C. Pant, forecast a comfortable power position in Delhi, Haryana and Punjab in the next few months. Inaugurating a conference on "Power for Growth" organised by the Punjab, Haryana and Delhi Chamber of Commerce and Industry in New Delhi, Mr Pant said that as a result of a number of measures taken by the ministry, the thermal energy availability in Delhi, Punjab and Haryana had significantly increased. Energy production in Delhi in particular had almost increased by 25 per cent this year. Haryana was able to have an additional 260 million units — a 60 per cent increase — in its thermal energy availability in 1974 as compared to 1973, while in the last four months of 1974, Punjab had utilised 119 million more units of thermal energy.

While it could be expected that this would have eased the shortage of power, unfortunately the water inflows into the Bhakra reservoir in this year had been the lowest in its entire history, the generation being only eight million units a day, compared to about 16 million units about this time last year. A generation of about 12 to 13 million units a day at least could be normally expected. Energy was also expected from the Dehar power station fro September 1976. All effor were being made to commissic the second unit of the Raja than Atomic Power Plant. special allocation of alum nium had been made to Raja than State Electricity Boar to enable them get new cor ductors manufactured to com plete the Jaipur-Badarpur lin

Mr Pant mentioned that th capacity utilisation of th Indraprastha power station i Delhi was 68 per cent. In Utt Pradesh, the thermal statior were working at 62 per cer capacity, in Andhra Prades 61 per cent, in Gujarat 65 p cent, and in Madhya Prades 57 per cent. DVC had in proved its capacity utilisatic almost 40 per cent in the la five months as compared the earlier period. Mr Pa stressed the need for planni progaammes of power on gional basis and the strengthe ing of regional power grids.

Problems of Khandsar

More than a thousa Khandsari units in Uttar Pr desh have stopped crushi sugarcane because the Ut Pradesh government has i posed a levy of Rs 200 quintal on one-third of to output of Khandsari. levy on khandsari ma facturers resulting in clos of units will be instrumenta a reduction in employment portunities for agricultural bour. The Western UP Kha sari Manufacturers Associat is afraid that as a result the present stalemate, all sugarcane available in the st may not be crushed and so of it might have to be e burnt in the later part of season. Besides resulting national wastage of this v able commodity, it will bring down khandsari prod tion by as much as 600, tonnes.

The economics of the Kh sari units in Uttar Pradesh volves round the prices prev ing for sugarcane which ra between Rs 12 and Rs a quintal. Based on prices of the raw material,

f manufacture work, on
erage, at Rs 350 a quintal.
Khandsari industry is not
ed to obtain sugarcane
areas which are earmarked
ugar factories. In other
s, the Khandsari manu-
re is in no way a drag
e sugar mill industry.

v Service by dicate Bank

ndicate Bank is now com-
ut with a Tourist Informa-
and Guide Service to its
mer-tourists. To begin
the bank will introduce
service in Karnataka shor-
According to the scheme,
fied officer-guides would
laced in eight centres
ly, Bangalore, Mysore,
am, Hospet, Belgaum,
ur, Gokarn and Mangalore
e they have branches.
tourist cells attached to
branches would not only
tourist information and
ervices of a guide but also
accomodation and
travel arrangements for
mers when informed in
nce.

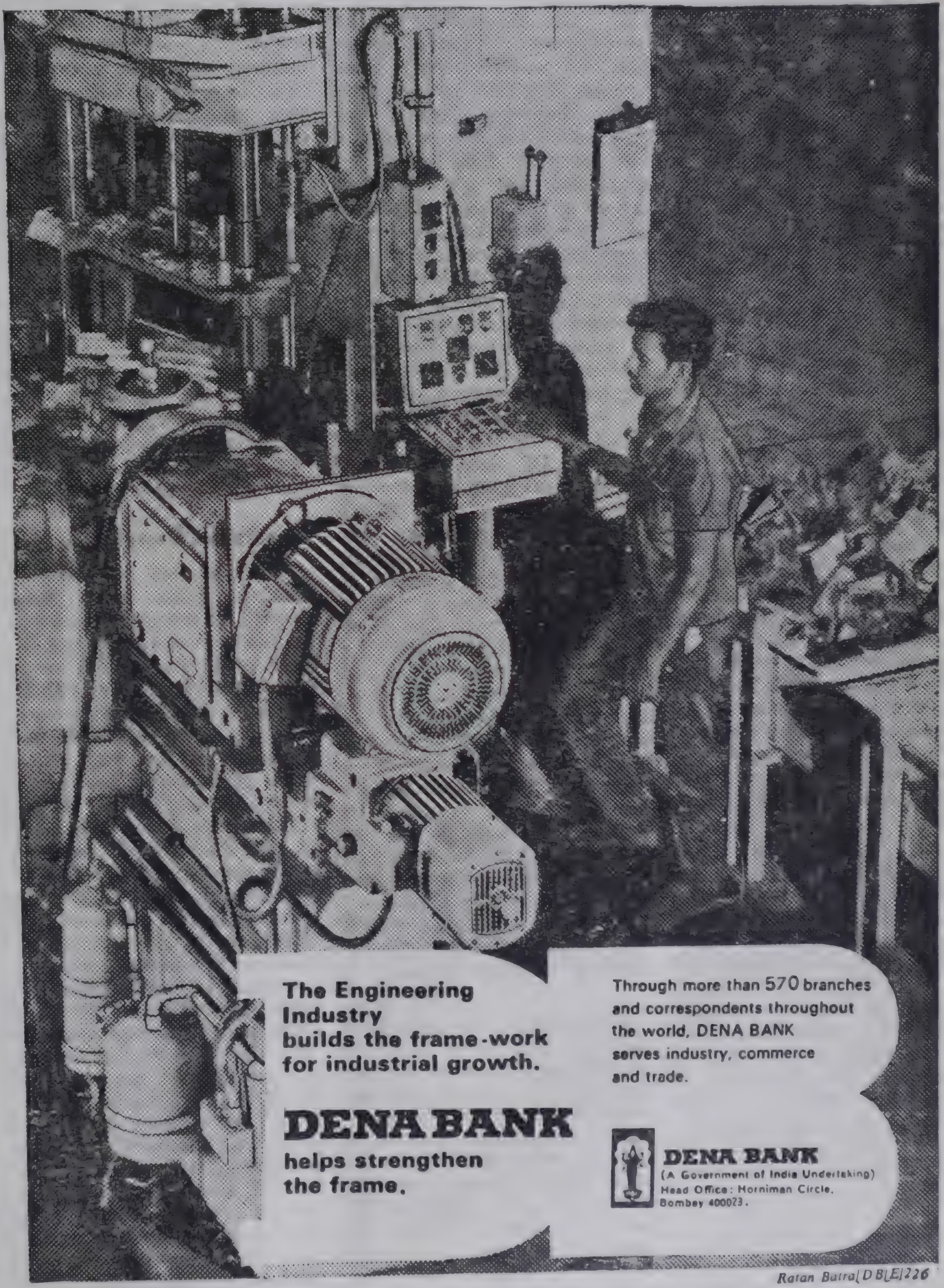
ard for Chemicals orts

e Indian Chemical Manu-
rers' Association has
the export award for
nical products to Atul Pro-
s of Gujarat for maintain-
s progress in the matter
xporting dyestuff and dye
mediates.

e ICMA has given
P.C. Ray award for
lopment of indigenous
nology to two oranisa-
: Harihar Polyfibers — a
ion of Gwalior Rayon and
Manufacturing (Wvg.) Co.
arihar in Karnataka, and
pak Nitrite Ltd of Baroda.
ihar Polyfibers has deve-
d, on a commercial scale,
n grade filament pulp from
rid eucalyptus grown in
nataka. Deepak Nitrite has
e significant contribution
e indidigenous production
odium nitrite.

mes in the News

Mr **R. C. Maheshwari,** general manager, TEXMACO, has become the chairman of Engineering Export Promotion Council. Mr Maheshwari chairs several important divisions in some of the leading industrial associations and councils such as railway wagons & components division of the Association of Indian Engineering Industry, raw materials sub-committee of Association of Indian Engineering Industry, and Iron & Steel Committee of EEPC. He has also served on several high-power task forces such as Reserve Bank's study group for bank credit policy, Planning Commission's task force for textile machinery industry.



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COMPANY AFFAIRS

Plea for Dividend Amendment

OF LATE the government has been feeling increasingly uneasy over the fall in new issue activity and has been considering measures to revive the capital market. It is learnt that the finance ministry has completed recently an analysis of the impact of the ordinance on dividend payments and it has come to the conclusion that it is the low return on equity that has caused the slump in prices and scared away prospective entrepreneurs and underwriters of new issues. Meanwhile the Bombay Shareholders' Association has urged the union Finance Minister to amend the dividend legislation so as to mitigate its effects on the capital market. In a memorandum the Association has stated that equity values have gone down by about 30 per cent and in terms of money the book loss to the investors would be about Rs 700 crores. Further it is said that as a result of dividend curbs projects involving an aggregate capital outlay of about Rs 200 crores are held in abeyance.

The Association has suggested that the companies may be allowed to declare dividends up to 15 per cent of the net worth of their equity or average payment of the last two years. It has also suggested that the wealth tax exemption for the initial issues for the first five years be reintroduced and the incentive of development rebate be continued or some other alternative incentive be introduced for fresh investment in plant and machinery.

Sudarsan Trading

Sudarsan Trading Company has maintained its uninterrupted progress during 1973-74. The segregation of the chit business from other activities has proved to be a great success. The fully owned subsidiary, Sudarsan Chits (India) Ltd, which had been set up for this purpose, has helped to streamline the administrative set up of the organisation and also to reduce the operational expenses to a certain extent. The total business secured by this company during the year touched new records and this is indeed a commendable performance when considered against the backdrop of general economic distress experienced during the year under review. Of late Sudarsan Group has been diversifying its activities into the filelds of industry, agriculture, exports and hoteliering. Sudarsan International, for instance, is engaged in setting a luxury hotel at Madras. The first phase of the hotel project has already been commissioned and it has earned within a short span of a year a name for its comfortability, efficiency and cuisine. On completion of its second and third phases, Sudarsan International is certain to find a place among the top hoteliering establishments of the country. These were highlighted by the Chairman, Mr D.C. Misra while addressing the annual general meeting of the company.

The Sudarsan Group's other units also have reported satisfactory progress during the year under review. Despite scarcity of raw materials and steep rise in costs of inputs, Standard Furniture continued to register notable rise in sales and profits. Steps are being taken to enhance the production capacity of the Standard Furniture at Chalakudy by putting up a modern jet drier. The government of Kerala has already been approached to sanction increased quantity of timber in order to run the plant to full capacity. The arrangement by which the Tile Unit of Feroke Tile Works has been leased out continues to function smoothly. The unit at Rajahmundry is being transferred to Sudarsan Clay products Ltd, a wholly-owned subsidiary of the company. Improved performance by the Rajahmundry unit has started yielding profits. The pipe factory at Feroke, the lease arrangements of which were terminated earlier consequent to labour unrest faced by the then lessee, is now almost ready for operation.

Precision Bearings

The directors of Precision Bearings India Ltd., have stepped up the equity dividend for the year ended August 31, 1974 to 12 per cent from 10 per cent declared for 1972-73. Its sales during the year recorded a sharp rise to Rs 4.27 crores from Rs 3.25 crores while gross profit recorded a smart increase to Rs 114.11 lakhs from Rs 81.59 lakhs in 1972-73. Out of the gross profit the directors have provided a sum of Rs 27.32 lakhs to depreciation reserve, Rs 6.51 lakhs to development rebate reserve and Rs 41.65 lakhs for taxation as against Rs 20.76 lakhs, Rs 15 lakhs and Rs 15.45 lakhs provided respectively in 1972-73. This leaves a substantially higher net profit of Rs 38.63 lakhs as compared to Rs 30.38 lakhs in the earlier year. The company is seeking permission from the Controller of Capital Issues for issuing rights shares. Although the application has been made to this effect no decision has been taken so far. During the year it has completed the major expansio
scheme and resultant benefi
have also been reaped. I
spherical roller bearing proje
has also made good progress.

Uni Abex Alloy

Uni Abex Alloy Produc
has started production fro
May 1974 and has made i
first dispatches in Septembe
The company has secured fir
orders for over Rs 68 lakl
and letters of intent for ov
Rs 1.38 crores. More orde
are under negotiation. Mea
while, the project cost has e
calated to Rs 2.62 crores fro
the original estimate of Rs
crores. To meet this over-run
cost as also for installing certa
imported balancing equipmer
the company proposes to off
six lakhs equity rights shar
of Rs 10 each for cash at p
to the existing shareholde
on a pro-rata basis.

Indian Oxygen

Indian Oxygen Ltd has e
tered into a technical collab
ration agreement with Sacc
SPA, Milan, for the manufa
ture of oxygen tents in t
country. The government h
approved the scheme subj
to an export obligation for
period of five-years. The co
pany has agreed to fulfil t
condition. The compan
other collaboration agreem
with Cryoplants Ltd Lond
for acquiring technical kno
how for the manufacture
low pressure tonnage, air se
ration plants and nitro
generators is still under
consideration of the gove
ment. It has been the en
vour of the company to ma
facture new products of sop
ticated technology.

During the year en
September 30, 1974 the c
pany has achieved so
measure of success in this
rection. The company int
duced the Cheetah cutting
chine, MIG 400 semi-auto
tic welding set and Coba
electrodes. Moreover cert
projects for diversification
development of the compa
activities are under deta
study. This study has b
completed in close collab
tion with specialists from B

he company's application or an industrial licence under the consideration government. The pro- o be located in a notified vard area, is quite un- cted with the current of the company's manu- re, involves the use of sticated technology and is ly export-oriented with employment potential. Its mentation will bring t a considerable dilution reign equity holding in the pany.

he company's turnover g 1973-74 at Rs 32.57 s exceeded the previous s performance by 26.9 cent. Volumetrically sales as welding and electric ng equipment and con- bles registered some ad- but sales of industrial and a few other products generally lower than in preceding year mainly due hortage of vital inputs and mber of other constraints. rt sales recorded a more three-fold increase the previous year. This enabled the company to in recognition as an ex- house for engineering s and chemical and allied ucts. The profit for the after providing for depre- on amounted to Rs 2.97 s as compared to Rs 2.75 s in 1972-73. A sharp rise perating costs due to the e inflationary pressures in economy and rise in inte- charges affected the com- 's profits during the year. profit increase, therefore, not in line with the sales nce. In view of the divi- ordinance the directors recommended a dividend ly six per cent for 1973-74.

already stated certain tages hindered the com- 's production and caused ening of the customer and during 1973-74. If the pany's operations are not arly impeded and there is t-back in the customer de- d, the company's prospects e immediate future will be factoy. These obeserva- are contained in the rman, Mr K. Hartley's an- statement circulated to the shareholders of the company.

Tribeni Tissues

Tribeni Tissues has received the government's consent for substantial expansion of its production capacity by 10,000 tonnes per annum. This project will be executed in two phases. The first phase will increase the capacity of the existing mill by 60 per cent and enable it to manufacture a wide variety of speciality papers most of which are at present imported. The capital outlay was initially estimated at Rs 9 crores but owing to cost esalation both at home and abroad the estimate has been revised upwards to Rs 10.50 crores. The foreign exchange loan of Rs 75 lakhs has been arranged with ICICI arrangements for rupee finance are being made. In accordance with the industrial licence, foreign equity will be reduced to 51 per cent. For this purpose the company proposes to make a rights and a new public issue. The details in this regard are expected to be made known shortly.

Tata Electric Cos.

Hitherto the three Tata electric companies used to pay interim dividends every year and the interim dividends are normally declared in the month of January. With the enactment of the Companies (Temporary Restrictions on Dividends) Act, 1974, the companies are precluded, in terms of Section 6 of the said Act, from paying any interim dividend during a period of two years from July 6, 1974, except with the previous approval of the central government. In terms of the restrictions imposed by the said Act, it is estimated that the total equity dividend that could be paid by the companies for 1974-75 would not exceed five per cent. Further, there is still a small balance of preference dividend relating to the last year remaining unpaid in the case of the Tata Hydro and Tata Power Companies. In the circumstances, the Boards of Directors of the three Tata electric companies have decided not to pay any interim dividend for 974-75.

New Issues

Anglo-American Marine Company Ltd, is offering 274,000 equnity shares of Rs 10 each and Rs 15,000 (11 per cent) redeemable cumulative preference shares of Rs 100 each foi cash at par to the public for subscription. The subscription list for this fully under written issue opened on February 10. It will close on February 19 or earlier but not before February 15. The proceeds of the issue will be utilised by the company for financing its expansion programmes. The company is setting up a project for the manufacture of 6,000 gear hobs per annum in technical collaboration with the world renouned firm of M/s Klingelnberg Verzahtechnik GmbH of West Germany. A industrial licence for the manufacture of 12,000 numbers of gear hobs and gear shaping cutters each has been received by the company. A plant is being set up in the MIDC Chikalthana industrial area, Aurangabad, a notified backward region in the state of Maharasthra. Apart from attracting many fiscal benefits by virtue of its location in the form of subsidy, tax rebates and other facilities, the site is ideally stated on account of its nearness to major customers. Adequate supply of power and water had been assured for the company.

The existing profitability of its present operations as evidenced by its growth rate and working results, estimated profitability of its new products, which will find a ready market being by way of import substitution, its efficient current operations, its technical knowhow expertise, and its customers' goodwill built over the years, the directors are confident of declaring a reasonable good dividend on the increased capital for the year ending June 30, 1975. The equity shares now being issued will rank *pari passu* with the existing equity shares of the company in all respects, except that in respect of the dividend declared for 1974-75, the new equity shares will only be entitled to on a pro-rata basis from the date of allotment and proportionate to the amount paid upon them.

Globe Auto (Gujarat) will be entering the capital market shortly with a public issue of Rs 12 lakhs, all in a equity shares of Rs 10 each at par. The company is setting up a project for the manufacture of diesel starting motors, generarators and regulators at Vapi, Gujarat. A precesion room and machine shop has been purchased from Globe Auto Electricals. Commercial production is expected to commence from April 1975. Technical know-how from Magneti Marelli for the diesel starting motor, the most sopissticated item to be manufactured by the company, has been made available through Globe Auto Electricals. There capital outlay on the project of Rs 40 lakhs will be met by the share capital of Rs 20 lakhs while an equal amount will be raised as a long-term from Gujarat State Financial Corporation.

Bihar Hotels will soon be offering to the public for subscription 240,000 equity shares of Rs 10 each and 3000 cumulative redeemable preference shares of Rs 100 each at par. The company is setting up a Rs 1.05-crore international standard hotel known as "Clarks Maurya" in the central business area of Patna. The hotel will have 80 guest rooms, besides a bar, resturants and a swimming pool. It will be centrally air-conditioned. The capital outlay of Rs 1.05 crores will be financed by the share capital of Rs 43 lakhs, long term loan from IFC of Rs 37 lakhs and long-term loan from the Bihar State Financial Corporation of Rs 25 lakhs.

Capital and Bonus Issues

The Government has allowed 15 companies to raise capital worth over Rs 3.69 crores. The following are the details:

J.M.A. Industries Pvt. Ltd. has been accorded consent, valid for three months, to capitalise Rs 13,00,000 out of its general reserve and issue 13,000 fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Mehanical Packing Industries Pvt. Ltd., Bombay, has been accorded consent, valid for three months, for the issue of bonus shares worth Rs 1.50 lakhs.

Basant Rubber Factory (Pvt) Ltd., Bombay, has been granted consent, valid for a period of there months, for issue of bonus shares worth Rs 5,00,000.

S.K. Sen and Son Pvt Ltd.: Calcutta, has been accorded consent, valid for three months, to capitalise Rs 10 lakhs out of its general reserve and issue fully-paid equity shares of Rs 100 each as bonus share in the ratio of one bonus share for every one equity share held.

Indian Splicing (Mechanical) and Accessories Ltd., Calcutta, has been granted consent, valid for 12 months only, for issue of Rs 10 lakhs in equity privately.

Indabrator Ltd., has been allowed to capitalise Rs. 13.13 lakhs for issuing bonus shares in the ratio of three shares for every five equity shares held.

Uniloids Ltd., Hyderabad, has communicated to Government its proposal to issue capital under Clause 5 of the Capital Issues (Exempotion) Order, 1969, to the value of Rs. 32 lakhs (inclusive of the capital already raised) in 3,20,000 equity shares of Rs. 10 each, for cash at par, out of which shares worth Rs. 18.50 lakhs will be offered for public subscription.

Triveni Sheet Glass Works Ltd., Allahabad, has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs. 25 lakhs in 25 000 (11 per cent) cumulative redeemable preferential shares of Rs. 100 each for cash at par to the public by a prospectus.

S. and P. Engineering Pro-

Now India can grow Cocoa

giving the Indian farmer a high-return cash crop.

Nearly a decade ago when Cadbury-Fry launched their Cocoa cultivation project very little was known in India about cocoa growing. Because cocoa does need certain conditions of soil and climate, in order to flourish, even the "experts" were divided in their views on the success of the venture. However, Cadbury's probably know more about cocoa-growing than anyone else in the world, and with their knowledge of Indian conditions they were confident that given time, patience and the right inputs, it could be done. They had the knowledge, and they also had the faith, and the will.
Today, 4500 acres of land in South India are under scientific cultivation—a pioneering agricultural achievement. The first crop has been gathered in and the farmer is responding enthusiastically to this high-return cash crop. With wider interest and improvements in cultivation taking place at a steady pace, India will not only be able to meet her entire domestic demand but also enter the international market with cocoa.
The world demand for cocoa is unfulfilled, which makes the scope for exports considerable. The entry c Indian-grown cocoa into th country's export list wi help to improve India foreign trade.

For India, cocoa is thre things combined in one: is one of the best-rate energy foods for India growing children, a valuab cash crop for Indian farmer and it is going to be a important Indian expo commodity of the future.

Cadbury-Fry are working f the future, in the same spi that made cocoa-growin possible in India.

Cadbury-Fr
Making India the Cocoa Count

CMCP-S-253

Ltd., Calcutta, has
nunicated to Government
proposal to issue capital
r Clause 5 of the Capital
es (Exemption) Order,
, to the value of Rs. 5
s in 5,000 (11 per cent)
ulative redeemable pre-
ntial shares of Rs. 100 each
cash at 'par as rights
es.

atnakar Shipping Co. Ltd.,
cutta, has been accorded
sent to issue furtherca pital
Rs. 1.01 crores in equity
es of Rs. 10 each as rights
es. The aforesaid right
e is required for maintain-
the debt equity ratio.

avamalai Estates Ltd., Ban-
re, has been permitted to
italise Rs. 3.44 lakhs for
ing bonus shares in the
o of one share for every
equity shares held.

oorla Spinning and Weaving
Ltd., Bombay, has been
nted consent to issue bonus
es worth Rs. 26 lakhs only.

ayer (India) Ltd., Bombay,
been accorded consent valid
12 months only, for issue of
her capital of Rs. 32.25
ns in equity shares of
100 each, for cash at a
mium of Rs. 100 per share
he Indian nationals.

lyderabad Vanaspati Ltd.,
communicated to govern-
nt its proposal to issue
ital under Clause 5 of the
ital Issues (Exernption) Or-
1969, to the value of Rs.
lakhs in 2.50 lakh equity
es of Rs. 10 each and 5,000
ulative redeemable pre-
ntial shares of Rs. 10 each.

eneral Electric Company
India Ltd., Calcutta, has
n granted consent to issue
71.35 lakhs (nominal
unt) in 7,13,500 equity
es of Rs. 10 each to be
ed to the existing Indian
eholders on rights basis for
n at a preminm of Re. one
share so as to reduce the
-residents' shareholding to
7 per cent.

ws and Notes

arihar Polyfibers — a
sion of Gwalior Rayon & Silk Mfg. (Wvg.) C. Ltd. — Harihar, Karnataka, has been selected for "The Sir P.C. Ray Award" for developing on a commercial scale and for the first time, rayon grade filament pulp from hybrid eucalyptus grown in the state of Karnataka. As far as is known, this innovative development of rayon grade pulp from hybrid eucalyptus has been accomplished by this Company for the first time in the world. In the year 1965, Messrs Gwalior Rayon & Silk Mfg. (Wvg.) Co. Ltd. had been given "The I.C.M.A. Award for Forward Technology" for producing for the first time in the country rayon grade pulp from bamboo, another indigenous raw material available in plenty.

While a significant portion of the plant for this technology was imported at that time, it is to the credit of Messrs Harihar Polyfibers to have not merely carried forward this technology further but innovated it in a manner so as to eliminate the total need for importing any equipment from abroad. In fact, the innovational efforts have been based on considerable research and development work done by the company both on the new eucalyptus hybrid as a source of pulp and in developing new engineering designs and fabricating a considerable part of the hardware of the plant in its own workshop, based on engineering concept and design developed by them and getting most of the hardware from within the country

The company's commendabl-eindigenous efforts in innovating this technology of pulp and again using entirely different source of raw material involving the overall Indian effort, has earned the company this coveted Award. The pulp has alr ady been approved and accepted for the manufacture of filament rayon and has a promise of being further developed for tyre cord requirements.

Rajendra Coffee has proposed to issue 40,000 equity shares of Rs five each as bonus shares in the ratio of one new share for every share held. This is, however, subject to the consent of the Controller of Capital Issues.

Mr. P. K. Choudhury, the first Indian executive of the Company to be elected to the Board of **Hindustan Milkfood** Mfrs. Ltd. (the makers of Horlicks) brings with him extensive experience in sales and marketing of consumer products. Mr Choudhury drew his experience from Lipton's, where he was the driving force behind their sales and marketing for 12 years. Late 1965 saw him in the House of Sarabhais as Sales Directcr of Sarabhai Merck Ltd. Later, he was instrumental in forming and establishing H.P.M.A. a centralised marketing and distribution house of consumer products, as its Marketing Director. A specialist in Promotions and New Products Introduction, Mr. Choudhury joined the Beecham Group as Marketing Director of Hindustan Milkfood Manufacturers Ltd.

During the month of January 1975, the Delhi Factory of **Hindustan Insecticides Limited** produced 705 tonnes of formulated D.D.T. creating an all-time monthly production record and exceeding the rated capacity by a handsome margin. This production surpasses the previous peak production of 687 tonnes touched by the factory in March 1973.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared	
		Current year	Previous year
Higher Dividend			
Aryodaya Spg. & Wvg.	March 31, 1974	15.0	15.5
Same Dividend			
Paper & Pulp Conversions	July 31, 1974	12.0	12.0
Bagalkot Udyog	June 30, 1974	Nil	Nil
Hindustan Construction	July 31, 1974	Nil	Nil
Mysore Commercial	March 31, 1974	Nil	Nil
Poddar Projects	June 30, 1974	Nil	Nil
Ruby Mills	March 31, 1974	8.0	8.0
Usha Spg. & Wvg.	June 30, 1974	Nil	Nil
Textool	April 30, 1974	Nil	Nil
Ruby Rubber	June 30, 1974	Nil	Nil
Reduced Dividend			
Bestobell India	June 30, 1974	Nil	10.0
D.B.R. Mills	June 30, 1974	12.0	12.5
Special Steels	June 30, 1974	7.0	15.0
Shree Gopal Industries	June 30, 1974	12.0	15.0

RECORDS AND STATISTICS

Company deposits

DURING THE past decade, the deposits taken by companies in this country have increased substantially. Some of these companies have not been able to honour their commitments in regard to the payment of interest as well as capital. In order to regulate the activities of these companies, the government of India, in consultation with the Reserve Bank of India, amended the Companies Act (1956), The rules framed under this Act are to be known as Companies (Acceptance of Deposits) Rules, 1975. They cover exceptions (such as loans from the central and state governments), reserves and guidelines for the acceptance of deposits. The procedures for repayment, advertisements and penalties for the violation of these rules have also been laid down.

The following is the text of the gazette notification regarding rules relating to company deposits:

In exercise of the powers conferred by Section 58A read with Section 642 of the Companies Act, 1956 (1 of 1956), the central government in consultation with the Reserve Bank of India, hereby makes the following rules, namely:

1. **Short title commencement and application** :

(1) These rules may be called the Companies (Acceptance of Deposits) Rules, 1975.

(2) They shall come into force on the date of their publication in the official Gazette.

(3) They shall apply to such companies as are not banking companies and are not also financial companies.

2. **Definitions**: In these rules unless the context otherwise requires :

(a) "Act" means the Companies Act, 1956 (1 of 1956).

(b) 'deposit" means any deposit of money with, and includes any amount borrowed by, a company, but does not include—

(i) any amount received from the Central Government or a State Government or any amount received from any other source and whose repayment is guaranteed by the Central Government or a State Government, or any amount received from a local authority or a foreign government or any other foreign citizen, authority or person;

(ii) any amount received as a loan from any banking company or from the State Bank of India or any of its subsidiary banks or from a banking institution notified by the Central Government under Section 51 of the Banking Regulation Act, 1949 (10 of 1949) or a corresponding new bank as defined in clause (d) of Section 2 of the Banking Companies Acquisition and Transfer of Undertakings Act, 1970 (5 of 1970), or from a cooperative bank as defined in clause (d) of section 2 of the Banking Companies Acquisition and Transfer of Undertakings Act, 1970 (5 of 1970) or from a cooperative bank as defined in clause (bii) of section 2 of the Reserve Bank of India Act, 1934 (2 of 1934).

(iii) Any amount received as a loan from the Industrial Finance Corporation of India established under the Industrial Finance Corporation Act, 1948 (15 of 1948) or from a State Financial Corporation established under the State Financial Corporation Act, 1951 (63 of 1951) or from the Shipping Development Fund Committee constituted under Section 15 of the Merchant Shipping Act 1958 (44 of 1958) or from the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963) or from the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964 (18 of 1966) or from an Electricity Board constituted under the Electricity (Supply) Act. 1948 (54 of 1948) or from the Life Insutance Corporation of India constituted under Section 3 of the Life Insurance Corporation Act, 1956 (31 of 1956) or from the Rehabilitation Industries Corporation of India Limited or the Minerals and Metals Trading Corporation of India Limited or the Rural Electrification Corporation Limited or the Agricultural Finance Corporation Limited or the Industrial Reconstruction Corporation of India Limited or the Industrial Credit and Investment Corporation of India Limited or the National Industrial Development Corporation of India Limited or the Tamil Nadu Industrial Investment Corporation Limited or the State Industrial and Investment Corporation of Maharashtra Limited or from any other public financial institution which may be notified by the Central Government in this behalf in consultation with the Reserve Bank of India;

(iv) any amount received by a company from any other company;

(v) any amount recived from an employee of the company by way of security deposit;

(vi) any amount received by way of securing or as an ad-
vance from any purchasi
agent, selling agent, or oth
agents in the course of, or f
the purposes of, the busin
of the company or any advar
received against orders for t
supply of goods or properti
or for the rendering of a
service.

(vii) any amount received
way of subscriptions to a
shares, stock, or bonds deb
tures (such bonds or debentu
being secured by a charge
lien on the assets of the co
pany), pending the allotm
of the said shares, stock, bon
or debentures and any amo
received by way of calls
advance on shares, in acc
dance with the articles of as
ciation of the company
long as such amount is not
payable to the members un
the articles of association
the company;

(viii) any amount receivec
trust or any amount in tran

(c) "depositor" includes
person who has given a l
to a company;

Free reserves

(d) "free reserves" shall
clude all sums shown or p
lished in the balance shee
in the profit and loss acc
of the company as being
tained for any general or
specified purpose and any
tutory development rebat
serve created under sub-sec
(2) of section 10 of the In
Income-tax Act, 1922 (1
1922) or under sub-sectio
of section 34 of the Inc
tax Act, 1961 (43 of 1
or any reserve for deve
ment allowances created u
sub-section (3) of section
of the Income-tax Act
(43 of 1961) or under any
law for the time bein
force.

3. **Acceptance of depos
companies**:

(1) On and from the
mencement of these rules

(a) no company shall a
any deposit which is repa
on demand or on noti
repayable after a period;

(b) renew any such d

ed by it whether before
er such commencement
where such deposit is
ble after the expiry of
onths or more from the
of acceptance or renewed
ch deposit; provided that
npany may for the pur-
of meeting any of its
-term requirements for
accept or renew such
sits as are referred to in
e (1) of sub section (2) for
ment earlier than six
hs from the date of de-
or renewl as the case
be, subject to the condi-
that such deposits:

shall not exceed ten per
of the aggregate of the
-up share capital and free
ves of the company; and

) are repayable not earlier
three months from the
of such deposit or renewal
eof, as the case may be.

) on and from the com-
cement of these rules, no
pany shall accept:

any deposit against an un-
red debenture or any de-
t from shareholder (not
g deposit accepted by a
ate company from its share-
lers) or any deposit guaran-
by any person who, at
ime of giving such guaran-
is a director of the com-
y, if the amount of any
deposit together with the
unt of such othe deposits
all or any of the kinds of
osits referred to in this
ise and outstanding on the
of acceptance or renewal
such deposit, exceeds fif-
per cent (including any
osit accepted under the pro-
to sub rule, (1) of rule 3
he aggregate of the paid-up
re capital and free reserves
he company;

Provided that for the purpose
calculation of the amount
deposits outstanding in the
e of such acceptance or re-
val, any deposit guaranteed
a person who, at the time of
ing such guarantee, was the
naging agent or secretaries
treasurers of the company,
outstanding on such date
ll be taken into account;

(ii) any other deposit, if the amount of such deposit together with the amount of such other deposit other than any of the deposits referred to in clause (i) outstanding on the date of acceptance or renewal, exceeds twenty-five per cent of the aggregate of the paid-up share capital and free reserves of the company.

(3) If, immediately before the commencement of these rules, the aggregate amount of deposits, of the nature referred to in clause (i) of sub rule (2), accepted by a company before such commencement, exceeds the limit specified in the said clause (i), the company shall, on or before the 31st day of December, 1975, bring down the deposits to the limit aforesaid and for this purpose the company shall repay such deposits as may be necessary.

Explanation 1: For the purposes of this rule, "deposit' shall not include any loan secured by the creation of a mortgage, charge or pledge of any of the assets of the company or part thereof, if the amount of such loan doess not exceed twenty-five per cent of the market value of the assets which constitute the security for the loan.

Provided that if the Central Government is satisfied that a mortgage or a pledge created by a company is not in the public interest it may declare that the loan creating such mortgage or pledge shall be deemed to be a deposit for the purposes of this rule.

Explanation 2: For the purposes of this rule, in ariving at the aggregate of the paid-up share capital and free reserves of a company, these shall be deducted from the aggregate of the paid-up share capital and free reserves as appearing in the latest audited balance sheet of the Company of the amount of accumulated balance of loss, balance of deferred revenue expenditure and other intangible assets, if any, as disclosed in the said Balance Sheet.

4. **Form and particulars of advertisements**: (1) Every company intending to invite or accept deposit from the public, other than deposits from its directors, shall issue an advertisement for the purpose in a leading English newspaper and in one vernacular newspaper circulating in the State in which the registered office of the company is situated.

(2) No company shall issue or allow any other person to issue or cause to be issued on its behalf, any advertisement inviting deposits, unless such advertisement is issued on the authority and in the name of the Board of Directors of the company and contains a reference to the conditions subject to which deposits shall be accepted by the company the date on which the said Board of Directors has approved the text of advertisement, and the following informations, namely:

(a) name of the company;

(b) the date of incorporation of the company;

(c) the business carried on by the company and its subsidiaries with the details of branches or units, if any;

(d) brief particulars of the management of the company;

(e) names, addresses and occupations of the directors;

(f) profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of advertisement;

(g) dividends declared by the company in respect of the said years;

(h) particulars relating to the company as on the date of the latest audited balance sheet of the company (which date shall also be stated) under the following heads, namely;

(i) paid-up share capital; (ii) free reserves; (iii) deposits; (iv) any loan or advance obtained by the company and secured by a mortgage or pledge on the property of the company, including termporary loans as [defined in section 293 of the Act;

(v) accumulated balance of loss, if any, and

(vi) an account of the proposed utilisation of the money to be received as deposits with details of projects, if any, to be financed out of the deposit.

(3) An advertisement issued in accordance with this rule shall be valid upto the end of

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COMPANY NOTICE

The Metal Box Co. of India Ltd.

Notice

General Notice is hereby given to the members of the public under Rule 4A of the Monopolies and Restrictive Trade Practices Rules, 1970, that The Metal Box Company of India Ltd, intends to make an application to the Central Government under Section 21 (Sub Section 1) of the Monopolies and Restrictive Trade Practices Act, 1969, of their proposal to manufacture Printing Machinery by substantial expansion of their Unit manufacturing packaging and closing machinery for tinplate/aluminium, plastic and paper/board packages including related printing decorating machinery in the State of West Bengal.

Any person interested in the matter may, if he so desires, intimate to the Central Government in the Department of Company Affairs, Ministry of Law, Justice and Company Affairs, within fourteen days from the date of publication of this Notice, his views, if any, with regard to the said proposal of the Company as also the nature of his interest therein.

For The Metal Box
Company of India Ltd
A. T. VASWANI
Secretary

Registered Office:
Barlow House
59C Chowringhee Road
Calcutta—700020

11 February 1975

the financial year in which it is issued, and, a fresh advertisement shall be made, in each succeeding financial year for the acceptance of deposits during that financial year.

(4) No advertisement shall be issued by or on behalf of a company unless, on or before the date of its issue, there has been delivered to the Registrar for registration a copy thereof signed by every person who is named therein as a director.

Explanation: For the purpose of this rule, the date of the issue of the newspaper in which the advertisement appears shall be taken as the date of issue of the advertisement.

(5) Every change in the particulars contained in the advertisement of which a copy has been filed with the Registrar in accordance with sub-rule (4) shall also be notified to the Registrar within thirty days from the day on which such change occurs.

5. **Form of application for deposits**: (1) on and from the commencement of these rules, no company shall accept, or renew any deposit unless an application is made by the intending depositor for the acceptance of such deposit and such application contains a declaration by such person to the effect that the amount is not being deposited out of the funds acquired by him by borrowing or accepting deposits from any other person.

(2) The application referred to in sub-rule (1) shall be made in the form supplied by the company and such form shall be accompanied by a statement by the company containing all the particulars specified in sub-rule (2) of rule 4 and incorporating therein all changes in relation to such particulars upto the date on which the form is issued by the company.

6. **Furnishing of receipts to depositors**: (1) Every company shall, on the commencement (acceptance) or renewal of a deposit, furnish to the depositor or his agent, a receipt for the amount received by the company.

(2) The deposit receipt referred to in sub-rule (1) shall be signed by an officer of the company duly authorised by the company in this behalf and shall state the date of deposit, the name and address of the depositor, the amount received by the company as deposit, the rate of interest payable thereon and the date on which the deposit is repayable.

7. **Registers of deposits**: (1) Every company accepting deposits shall keep at its registered office one or more registers in which there shall be entered separately in the case of each depositor the following particulars, namely: (a) name and address of the depositor; (b) date and amount of each deposit; (c) duration of the deposit and the dae on which each deposit is repayable; (d) rate of interest; (e) date or dates on which payment of interest will be made; (f) any other particulars relating to the deposit.

(2) The register or registers referred to in sub-rule (1) shall be preserved in good order for a period of not less than eight calendar years from the financial year in which the latest entry is made in the register.

8. **General provisons regarding repayment of deposits**: (1) Where a company makes repayment of a deposit after thes expiry of a period of six month from the date of such deposit but before the expiry of the period for which such deposit was accepted by the company, the rate of interest payable by the company on such deposit shall be reduced by one per cent, from the contracted rate and the company shall not pay interest at any rate higher than the rate as so reduced.

(2) In respect of any deposit referred to in column (1) of the Table below, no company shall pay interest at a rate exceeding the rate specified in the corresponding entry in column (2) of the said table:

TABLE

(1)	(2)
(i) if the deposit is repaid within a period of 14 days from the date of receipt.	Nil
(ii) if the deposit is repaid after a period of 14 days but within a period of 45 days from the date of receipt.	2%
(iii) if the deposit is repaid after a period of 45 days but within a period of 90 days from the date of receipt.	2½%
(iv) if the deposit is repaid after a period of 90 days but within a period of six months from the date of receipt.	4%

Provided that nothing in this rule shall apply to a deposit the terms and conditions of which provide for the earlier repayment of the deposit at the option of the company and the deposit is repaid earlier in pursuance of such deposit.

9. **Power of Central Government to decide certain questions**.

If any question arises as to whether these rules are or are not applicable to a particular company, such question shall be decided by the Central Government in consultation with the Reserve Bank of India.

10. **Return of deposits to be filed with the Registrar.**

Every company to which these rules apply, in each year, file with the Registrar, within thirty days from the last day of its financial year, a retu
containing:

(a) the amount of depos
brought forward from the p
vious financial year; (b)
deposits accounted or renew
during the financial year;
the amount of deposits rep
during the financial year a
the balance of deposits o
standing at the end of the
ancial year; (d) the total nu
ber of deposits, repayable d
ring the financial year, wh
remains unclaimed and
aggregate amount of such
claimed deposits; (e) the to
number of deposits, repaya
during the financial year, wh
though claimed, have not b
repaid by the company dur
the financial year and
aggregate amount of the
posits remaining so unpaid;
the reasons in relation to e
deposit, for the non-paym
of any deposit after the re
ment thereof has bec
due;

Provided that the furnisl
of such reasons shall not
necessary unless, the aggre
amount of deposits remai
unpaid at the end of the fi
cial year exceeds rupees
lakhs; (g) the steps which
been taken for the repayn
of the deposits referred t
clause (f).

11. **Penalty**: If a com
or any other person co
venes any provision of
rules for which no punish
is provided in the Act, the
pany and every officer of
company who is in defau
such other person shal
punishable with fine which
extend to five hundred ru
and where the contraven
is a continuing one, wi
further fine which may ex
to fifty rupees for every
after the first during whic
contravention continues.

12. **Repeal and saving**
the commencement of
rules, all rules, orders or d
tions in force in relatio
any matter for which prov
is made in these rules
stand repealed, except as
pects things, done or om
to be done before such re

eastern
ECONOMIST

FEBRUARY 21, 1975

ut bridges to cross

IT WAS not expected of course that the railway budget this time would make any new demands of a sweeping nature on the purse or pockets of those who must use the services of the railways. t rates and passenger fares were revised in September last year to yield about 3.47 crores during the rest of the financial year ending March 1975. The recurring egacy of this revision is available to railway finances in the new financial year. theless, a little more revenue-raising has to be done if only for the purpose of w-dressing. The budgeted surplus of Rs 23.03 crores cannot of course be taken isly. For one thing it has not provided for liabilities relating to increases in ess allowance which have already fallen due. For another, the revenue ates make assumptions of a macro-economic character which may perhaps tax enevolence of the stars in which the new Railway minister is reputed to place so faith. For the time being, however, with almost everybody talking of the econo- aving turned the corner and the Finance minister virtually promising a pro- on-oriented budget, it could perhaps be supposed that Mr Kamlapati Tripathi not be overstraining the goodwill of the heavenly bodies.

There are at least two laudable trends in railway management as revealed by the et papers. The first is that, following the blow dealt to railway finances and opera- by the strike last year, the management seems to have made a special effort to im- both. In this it has been reasonably successful, but the question is whether this an end to the drift which in past years had done so much to make the railways such pensive and inefficient public utility. It is not enough that the railway strike has ked the Railway Board into an immediate recognition of its responsibility to ensure r management. The country has a right to insist on enduring improvement in egard. There can be no substitute for a constant sense of responsibility on the part e Railway Board if productivity of the railways is to be more permanently protected promoted.

The other aspect that calls for commendation is that the Railway Board is at last ng itself up to take hard decisions. There is, happily, far less politics in this budget in any other railway budget in recent years. It is clearly sensible to end the subsi- g of movements of foodgrains or iron and manganese ores. With Railway finan- o much in the red, a much stronger case will have to be made for the continuance e concessions than seems possible. A large part of grain movement is and will inue to be under the auspices of private trade. This trade has not shown any picuous restraint in seeking profits. There is no reason why it should be spared paying an economic price for its use of rail transport. Even where grain handled e public distribution system is concerned, the proper course would be for the sub- , if there is to be any, to be borne on the relevant estimates in the general budget.

As for iron ore or manganese ore moving into the export trade, the world prices ese commodities have moved up and, even if it is to be assumed that the world steel stry is about to experience significant recession, there is no proof that the proposed eases in the freight rates on this ore traffic would make any material difference to country's competitiveness.

The Railway Board has also shown guts in cutting the coat of its capital budget e cloth of the resources available to it. If this austerity prompts further discipline perational and financial management, the country would reap a two-fold gain. It be argued of course that arrears of development will after all have to be cleared e time. The time element however is a very relevant factor. Right now there is absolute need to ration capital among the various claimants for investments in the lic sector. The immediate need for the railways is to stabilize their ways and means start generating internal resources which could contribute towards the financing urther substantial expansion.

A side effect of the projected economy in capital expenditure would necessarily

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be a decline in the orders which the railways will be able to place on the manufacturers and suppliers of rolling stock or other capital equipment. The wagon industry is bound to set up a wail. Bharat Heavy Electricals Limited is also stated to be in an aggrieved mood. While it is true that the railways, in their own interests and in the interests of the national economy, should be able to avoid violent swings in their demand for capital equipment, it must be admitted that no useful purpose can be served by shutting our eyes to the fact that there is a serious resource constraint at the present time. It is inevitable therefore that some painful adjustments will have to be made. In any case there is no point in asking the railways to go on placing orders if they cannot pay for the goods. Perhaps the affected manufacturers of railway equipment would recognize in the situation a compulsion to explore export possibilities more vigorously.

It is not at once obvious that the new Railway minister will make any great impact on railway policy or railway administration. Mr Tripathi however is said to be a humane person. Perhaps his good nature would make him a little more sensitive to the travails of the travelling public. The "III Class" in passenger travel has been abolished in name, but the condition of travel for the mass of railway passengers remains 'nth' class. Punctuality and regularity of train services could no doubt be great blessings, but it is not less important that human beings should be able to travel like human beings and not be transported like cattle. Overcrowding continues to be a howling outrage on most active routes or popular train services. As for the sufferings of the commuters by the suburban train services in the metropolitan areas, the less said the better. Since this railway budget is innocent of controversial fare or freight proposals, it is to be hoped that parliament will pay purposeful and constructive attention to the basic issue of civilized railway travel for the people of this country and that the minister, in turn, would accept the responsibility of the railways for eliminating excessive overcrowding within a reasonable period of time. The railways, as the minister put it, may be seeing the end of the tunnel, but there are still some bridges to cross.

Selling tea

FOR MORE than two decades, the price of tea has stagnated at auctions both in this country and the United Kingdom. In 1953, the average price of tea at London auctions was 40.2 pence per kg. Twenty years later in 1973, it was no more than 43.3 pence per kg. The highest price realised was 58.1 pence per kg. in 1954 and the lowest at 33.6 pence per kg. in 1952. Also, between 1961 and 1973, the price of tea ruled consistently below 50 pence per kg.

In order to study the reasons for the stagnation in prices of tea and also to analyse (i) the suitability of the existing market practices and arrangements and (ii) the institutional changes and reforms needed for securing the best prices possible both in this country and abroad, the Consultative Committee of the Plantation Associations requisitioned some time back the services of a marketing study team. It consisted of (i) Prof. Amritananda Das of the Gandhian Institute of Studies, Varanasi; (ii) Dr. Peter Philip, an econometrician; and (iii) Dr. S. Subramaniam, Senior Professor of Marketing Methods at the Indian Institute of Management, Bangalore. The report of the team has been published recently.

One of the conclusions of the study related to the widely-circulated view that tea auctions were rigged against the producers by a combination of buyers. The study team termed this view as baseless. Stated the team: "There are no really acceptable alternatives to the system of auctions in the case of tea and it has been our impression that all sections of the market are unanimous on the inevitability of the auctions, and on its utility as a forum where there is open bidding and competition among buyers".

It is necessary to state here that the above-mentioned conclusion of the study team was arrived at not on the basis of exact figures but on rough data. From the information which the study team collected, it came to the conclusion that nearly 60 per cent of the tea sold in the retail market in this country was loose tea merchants while the balance per cent was sold in packets. In the la category of sales, one packeteer of alone claimed 60 per cent of the sh while the other had 20 per cent sh Thus, the two packeteers together c trolled 80 per cent of the tea sold in retail markets in packets. It also follo that nearly one-third (32 per cent, to exact) of the total tea sales in this cou were controlled by two packeteers.

In the United Kingdom, the picture slightly different. There four compa controlled 90 per cent of the tea sales, largest company controlling as much 43 per cent of the market. The degre concentration in regard to the sale of in the Indian market was certainly lo than that of the United Kingdom mar But there appeared little justification jump to the conclusion on the basis these facts that the tea auctions were being rigged by powerful operators.

There was no doubt that the presenc a few members which controlled a do nant share of the market was much wea in Indian auctions than in the UK but study team had not put forth a convinc case in favour of its judgement that is extremely unlikely that market rigg by collusive activity takes place in Indian auctions to any significant exter It is a pity that the study team was able to collect authentic data in this gard and had to depend on rough e mates for its judgement. Also, the line argument put forward by it was not fl less. Because 32 per cent of the total s of tea was in the hands of two buyers the rest in the hands of a number of oth (exact number not known), it hardly justified to conclude that su tantial ground existed for believing in absence of collusion by major buyers.

Again, the team examined the frequ complaint of a collusion between ma buyers and stated that there was no t collusion between the major buyers only an informal understanding on strate Here also the argument put forward far from convincing. Stated the st team: "Suppose the big buyers decide t the market is going down, then by keep away from the market, they will let it because the small buyers cannot ıp all the slack due to the absence big buyers". To hammer this point ːr, the study team stated that if the ıyers were wrong, the market would eventually and they would be losers ing that the big buyers could not away from the market indefinitely. he possibility of such an eventuality are because according to the findings e study team "in comparison to the sophisticated buyers, brokers are much beckward in terms of worth- market intelligence". And the pro- rs depended upon the brokers for .et intelligence.

ter having come to the conclusion there was hardly any possibility of the r buyers rigging the market through sion, the study team hastened to ede that "the big buyers can have -term effects on market prices but the major portion of tea is accounted ɔy other buyers this action cannot in- ce by itself the behaviour of prices a longer period". This was once ı a subjective view which could be dis- d. It seems that the study team should perhaps taken greater pains to col- additional information before hurry- to present its findings to the country. broad question of rigging of tea auc- s remained an open one as the findings he team were not based on faultless ysis but on subjective interpretation ıformation gathered.

he study team had however blamed the kness in the selling system as the cause stagnation in tea prices. As the lucers suffered from inadequate ncing at the warehousing and keting stage, this had a weak- ıg effect on the auctioning system forced the producers to resort to dis- s sale. In other words, like any other cultural commodity tea also was a im of the incapacity of the producers ıold stocks. Surely, this could be a po- factor but the various techniques em- yed by the powerful tea buyers also cted the tea market. The study team however criticised the producers for having taken any serious steps to act ınison and bring to an end the chronic ssure under which they were forced to their produce.

ıfter reviewing the supply and demand for tea in the world, the study team concluded that the basic reason for low prices for tea did not lie in the institutional arrangements for the marketing of tea but in the fundamental imbalance between the supply-demand forces in the market. Partly, it was the slow growth in demand in the developed countries which accounted for the bulk of import of tea. Surely this could be one of the reasons for keeping the prices of tea in the international market at a relatively low level. The recent decision of the major producers i.e. our country and Sri Lanka to work in close cooperation may bring about beneficial results. However, tea had to compete with a number of beverages in the international market and unless demand for it is stimulated in line with increasing production, there is no possibility of it being able to obtain improved prices.

The study thus had pinpointed some of the causes which could be responsible for the depressed prices of tea though its efforts were concentrated in a scrutiny of the auction system. There could be little disagreement in regard to the various well-known points made by it except for its observations regarding the auction system. Perhaps there was scope for a more elaborate study on this subject for which the inspiration should come from sources other than the plantation associations.

Spoilt sugar

A PIQUANT situation has arisen in the sugar industry as a result of the unwillingness of the central government to raise prices for levy sugar in the 1974-75 crushing season and the earlier inadequate adjustments in these prices. The sugar producers have been representing to the ministry of Agriculture and Irrigation that the policy of partial decontrol was proving to be ineffective due to the heavy loss sustained on sales of levy sugar and the compulsion to recover these losses through the disposal of the free-sale quota and pay also cane prices much higher than those fixed under the new government formula. The government has of course recognised the need for cushioning the losses sustained on levy sugar and providing also a reasonable return to the sugar producers, even after the payment of high cane prices, by increasing the quota for free sale to 35 per cent from 30 per cent.

It has also been decided by the UP government, which is also a large producer of khandsari, that there should be a levy of one third of khandsari output in the state from the beginning of this year at Rs 200 per quintal in order to reduce the diversion of cane for being converted into khandsari and also release sugar for export. It is not expected however that more than 20,000 tonnes of sugar can be saved in this manner and made available for export by the centre. It had been earlier suggested that there should be a uniform policy in regard to the imposition of a levy on production of khandsari sugar and also a higher level of excise duties. With the high prices prevailing in the open market for refined sugar, on account of the levy of an ad valorem duty of 37½ per cent. khandsari producers are in a position to compete actively with sugar factories and pay handsome prices to the growers.

On the basis of the tariff value of Rs 345 for free sale sugar per quintal, the excise duty works out to Rs 129.375 per quintal. Curiously enough, the tariff value is now much higher than prevailing open market prices as there has been a sharp fall in recent months with heavy arrivals of khandsari sugar. The latter is available 5 to 10 per cent cheaper than refined sugar and large consumers have shown a preference for khandsari because of the saving in expenditure that could be effected. The policy of the UP government in imposing a levy on khandsari production is of course half-hearted as the output in the first three months of the season was not subjected to any levy. Also there are no reliable estimates of production and it is not clear whether the levy will be effective.

It is reckoned however that khandsari output has been increasing significantly in the past three years and it will be now even 8 lakh tonnes with Andhra Pradesh emerging as another important producer. The capital outlay involved for establishing eight khandsari units on the basis of present costs is only a fraction of what would have to be incurred on a modern sugar factory on a comparable basis. In view of the attractive return on investment and the absence of any control over prices and production khandsari producers have been making larger profits per tonne than their counterparts in the organised sector.

The manufacture of khandsari in increasing quantities will no doubt lead to the realisation of higher prices by the cane grower and the extension of this cash crop over larger areas. However, the standardisation of quality of production cannot be ensured and their is also a loss in recovery of sugar by over one per cent as compared to the sugar factories due to ineffective handling of cane supplies. This argument may be used as a reason for enabling the khandsari producers to make reasonable profits after satisfying the cane growers. The utilisation of cane in this manner however will result in increasing losses of sugar production as even now it can be estimated at over one lakh tonnes annually.

While this loss of production due to low recovery cannot be afforded by the nation, if there was an uncontrolled rise in khandsari production, the disadvantage experienced by khandsari producers on account of a lower recovery will be only Rs 20 per tonne of cane. But due to the realisation of high open market prices of around Rs 400 per quintal, the efficient khandsari producer is in a position to realise a profit of Rs 50 per quintal even after paying Rs 175 per tonne of cane. As the factories operate in areas where there is a disadvantage for the bigger sugar units in respect of freight charges, the average prices realised by the former will be less than Rs 175 per tonne.

The effect of rising production of khandsari has thus been to raise the expectation of cane farmers in regard to the return on the crop. And with high prices for other competing crops the situation has become complicated with the government deciding to fix the minimum cane price at only Rs 85 per tonne for a basic recovery of 8.5 per cent. The situation in Tamil Nadu particularly is extremely difficult as on account of high prices for rice, cane growers are demanding higher prices for cane. There is also a diversion of the area under this crop for cultivating paddy because of the much larger return available in regions where there are assured irrigation facilities. Many growers' associations have been demanding even a price of Rs 150 per tonne of cane and crushing operations were delayed due to the inability of sugar mills to concede these demands. It is now felt that without the payment of a price of at least Rs 125 per tonne the industry in the state will not be in a position to produce even three lakh tonnes of sugar in 1975-76 against the likely new record of five lakh tonnes in 1974-75.

The excellent performance of sugar mills in Tamil Nadu in 1974-75, in spite of a labour strike for over three weeks, is due to the implementation of expansion schemes by many units in the private sector and better utilisation of the crushing capacity by sugar mills in both the private and co-operative sectors. The availability of cane supplies in the desired quantities could be ensured as the industry made reasonable profits in 1972-74 and remunerative cane prices could be paid.

The cost of production of sugar on the basis of Rs 125 per tonne of cane is however such that much higher open market prices have to be realised than those possible in the existing circumstances. It has been roughly computed that the cost of one quintal of sugar on the basis of a price of Rs 125 per tonne of cane will be Rs 210 per quintal assuming average recovery of 8.5 per cent. As the price for levy sugar has been fixed around Rs 156 per quintal the breakeven point cannot be reached until the average price realised is Rs 256 per quintal. Even with an ex-factory price of Rs 350 per quintal against the prevailing rate of Rs 290 per quintal exclusive of excise duty, only the break-even point will be reached, while the consumer of free sale sugar will have a fee
that he was being exploited as the end p
will be, after payment of excise duty
transport charges, even at the whole
level around Rs 490 per quintal. The f
tion of a low price for levy sugar and
compulsion to share also with the growe
per cent of the "profits" over the levy p
realised on free sale sugar have resulted
distortion of the policy of partial dec
trol and many sugar producers are repo
to be thinking of instituting legal proc
ings challenging the validity of governm
decisions. While the outcome of any l
listic approach will have undesirable
percussions, the fact cannot be overloc
that higher minimum prices for cane h
to be fixed and the price for levy sugar
has to be such as to reduce substantially
element of subsidy involved in the di
bution of sugar on a controlled b
Otherwise, it will be difficult to expect
the record of 1974-75 in respect of
duction, which may even surpass
achievement of 1969-70, (the best yea
far) in 1975-76.

It is needless is say that a slum
output in 1975-76 will prejudice
prospects for sugar exports in 1976-7
may even be difficult to raise exp
in 1974-75 to the desired level if it bec
clear by the middle of this year that
areas under cane had contracted sig
cantly due to the inability of sugar
to pay high prices for cane in some a
The government should therefore
examine its policy and attempt integ
control over khandsari and refined s
output, besides eliminating the exi
anomalies.

Eastern Economist 30 Years Ago

FEB. 23, 1945

It now remains to indicate the measure in which the Bombay planners in their second memorandum have succeeded in reconciling planning with democracy — in short, in incorporating the essential elements of a vigorous political and economic democracy into the framework of a directed economy. On account of recent historical association of economic planning with Russia and Germany, it has been widely assumed that a planned economy can only function within the political framework of a totalitarian government. On the contrary, the Bombay planners assure us that "planning
inconsistent with a democratic organisati
society," and, in fact, "its objects will be
the more effectively if the controls in
in it are voluntarily accepted by the
munity and only enforced with its consent."
is why they regard the establishment of a na
government as an essential pre-condition o
cessful planning; for only such a gover
which is representative of the large masses i
country can evoke cooperation of the peop

POINTS OF VIEW

On the crucifix of the dual standard

P.R. Brahmananda

ENT INTERNATIONAL monetary develop-
ts have the flavour of the classic
i-comedy, tragedy to some and come-
o others. Since 1973 when the oil
s started zooming up, reserves, large-
dollars, started accumulating with the
xporting countries. The action of the
ary exporters in obtaining a boost to
prices of their exports through con-
d action upset the international dist-
tion of reserves. The cut in oil exports
led to a significant reduction in the
vth-rate of the developed world.
nparative cost ratios have been jolted.
problem for the developed countries
not be solved by monetary expansion.
have recently seen hectic efforts to
a solution to the recycling problem.
ead of the third world, the
eloped countries became acutely
scious of reserves; so began the quest
a new role for SDRs and for IMF
ial facilities. In the process the market
e of gold has become a convenient inst-
nent for the revaluation of reserves.
we see, an informal gold-standard
rging among the developed countries
a SDR-cum-dollar standard, both
Rs and dollars) technically delinked
n gold, being confronted to the third
ld, which consists of all the oil-export-
countries. Thus, we are on the horns
world inflation which hitherto, has al-
dy deprived the primary exporters of
ir just share in gains-of-trade. This
er touches on all these issues and
ades for a mission of justice to the third
rld.

sic standpoints

am thankful to the organisers of the
ninar on International Trade and
onomic Development — arranged in
nection with the visit of Professor Peter
Kenen — for giving me an opportunity
present, or rather to develop further,
ne basic standpoints, flowing from the
ssical (or neo-classical) tradition, on
ent international monetary develop-
nts. Over the past few years, these de-
opments have been undergoing almost
thorough revolution. Unfortunately,
nts in this sphere are running faster than the thinking among most economists.

Text of a speech delivered at the seminar on "International Trade and Economic Development" held recently in New Delhi under the auspices of the Indo-American Chamber of Commerce and US Information Service.

Three angles, or frameworks, of economic analysis have been applied to interpret the recent international monetary developments. The adherents to the 'Keynesian', or rather the 'neo-Keynesian', (or more appropriately the 'Cassel-Keynes') angle has been emphasising the non-existence of an automatic and orderly set of international arrangements to expand the international liquidity base at a sufficiently fast rate, and at suitable intervals as the crucial lacuna in the present system.

macro-equilibrium

One may recollect that Keynes's 'Money', in the 'Treatise' and in the 'General Theory', was some multiple of the value of gold reserves. Unemployment in capitalist countries, he argued, arises simply because of the inability of each country to obtain for itself a sufficiently large, and elastic, international liquidity base for its money supply such that through domestic monetary expansion, the interest rate can be lowered, thus facilitating the attainment of macro-equilibrium at a larger volume of investment, employment and real income.

Keynes had a strong belief that money supply in each country, in an international system, could not be endogenously determined. One might recollect here his suggestion, during the wake of the '30 depression years, (period to Roosevelt's decision to move up the gold price) for an internationally conceived programme of the issuance of gold bonds, which would supplement gold reserves. Obviously in this arrangement, though he visualised some favourable modification for the UK, the new gold bonds would be distributed largely in proportion to the initial holdings of the gold reserves. By and large, this arrangement might be deemed to be a surrogate of that for the revision in the market price of gold. It is interesting that perhaps alone among the followers of the Keynesian tradition, Harrod has been pleading for this sort of a solution.

other suggestions

True, there are others who have suggested arrangements for a revision in the gold price, but they in turn want such a revival to be coupled with the establishment of rules simulating gold standard. One might broadly conceive of the Kaynesian angle as being based upon a fundamental fear that, in the absence of an adequate international liquidity base, there would tend to emerge a sudden possibility of a deflation of demand leading to world depression.

The Damocles sword of the threat of a world slump would hang over the heads of central bankers in an international world wherein monetary expansion in each country was conditional upon expansion of gold reserves. The reform arrangements which have been suggested for a massive rate of expansion of Special Drawing Rights (SDR) can be said to flow from the Keynesian angle, though, in its extreme, some proponents of the 'Keynesian' angle would envisage an abandonment of any role for gold in the world system. I am not sure. I stand to be corrected here, whether Keynes ever visualised a completely fiat-based international monetary system, as the extreme Triffinites sometimes claim, [on P. 358 of 'Essays in Persuasion' (*Collected Writings* Vol. IX)]. Keynes (1933) visualises the need also for a reduction in international money if prices are rising 'too much'. This may explain why he was not in favour of a straightforward rise in gold price. Keynes at best was for stable long-term prices. He could not have acqueisced in the present inflationary orgy.

A second angle, which might be rightly called as the neo-classical angle, has the emphasis on a system of perfectly flexible rates of exchange, with no internationally agreed base for liquid reserves and with no role for the IMF, or any such institution whatsoever. In high neo-classical theory, production flows as a result of application of labour to pre-existent and ready-for-use machinery and plant; the cost-prices of such machinery and plant, through regress in time, are capable of being reduced wholly into sums of wages and/or profits; wages and/or profits and/ or factor shares are paid at the end of the period of production. In other words, neo-classical theory has no role for pre-existent produced stocks; for commodities as input stocks, without which no production can ensue in any period — current or in remote past — through regress. Obviously this strategy would imply that receipts and payments can, and do, synchronise just as inputs and outputs are deemed to synchronise. There is really no problem of reserves. No need for them. There always exists such possibility through flexible prices, wages, etc in each country such that instantaneously as it were, exports can be counterbalanced by imports.

A third angle is the neo-classical standpoint which maintains that in a world in which, each or most countries are dependent on others for crucial inputs, and wherein, production lags, apart from transport lags, are extremely important, international reserves are a necessary condition for obtaining capacity-utilisation of its usable resources. Gross national product etc. are causally linked with the levels of reserves or the ease of access thereto. Reserves in this standpoint are a proxy for pre-existent input stocks, which are limitational to the production processes of the country. A second feature of the neo-classical angle is that in an international economy, there has to be some common absolute measure and store of value. Gold fulfils these roles most effectively in an international economy; hence, the neo-classical standpoint would emphasise an appropriate and central role for gold in any scheme for orderly international trade and capital flows.

role of gold

The system of flexible exchange rates and or the scheme of Special Drawing Rights, whose value is linked to a composite of exchange rates of these countries, cannot serve the purpose of a common inter-temporal measure and store of value. The classicists would, therefore, assert that the evolution of international monetary arrangements will, of necessity, be such as to involve — within the IMF system or outside of it — an extremely important role for gold, at a price which would be governed by international market forces. Gold will then have to continue to be a rival or a dominating standard of international value. Recognition of this would facilitate a better system of international arrangements.

There are not many academic adherents (Helperin, Rueff and this writer, are drops in the ocean of academic economists) of the gold standard. A full restatement of the classical theory of international liquidity has been provided in *Gold-Money Rift — A Classical Theory of Intrnational Liquidity* (Bombay, 1969). I may be forgiven for a reference to this work; for, as far as I am aware, there is no other comprehensive treatment in the classical tradition as modernised by the neo-Ricardians. That book provides an interpretation different from the neo-Keynesian (or Triffinian) and the neo-classical one (Machluppnish, and may I say, Friedmannian!). Friedman has gone on record for having pleaded for the gold standard as the best system. (How does this view go with his monetary theory which postulates endogeneity for the economy in money supply!) Since that cannot be, the next best would be the system of floating rates. It would be interesting to know what his reaction would be now that the fiction of the official price of gold has disappeared and sooner or later countries would be obtaining freedom to buy and sell gold amongst each other and also through the markets.

no explanation

From a strictly theorotical viewpoint, the Keynesian angle is unable to explain the monetary developments in the post-Second World War period. For example, why have interest rates, both long and short, been rising in almost all developed countries? This can be accounted for by two reasons: (1) the delayed and continued adjustment for creeping inflation, actual and expected; and (2) an expectation of prolonged capital or 'real finance' shortage in the world. Neither of these explanations, which essentially are not contradictory, can be reconciled with Keynesian or neo-Keynesian theory. The Keynesian angle cannot also explain why it has not been possible to banish gold from the (accounting) vaults of central banks. The triumph of the market-price over the (obsolete) official price proves conclusively that gold is not a barbarous relic. It demonstrates that the international medium cannot be based upon fiats. The world of international trade and payments is not the '
den age' of Joan Robinson or the 'st
state' of Solow. The various poli
uncertainties and differing experie
fears and goals of different nations an
perennial conflicts between quests for
dom, justice and power, all point o
the tremendous practical, apart
theoretical, difficulties in the way
fiat-based international money.

pertinent questions

The neo-classical angle has also f
to interpret and forecast the reality
rectly; for, the introduction of a m
price of gold in terms of which t
actions between countries can take p
brings into focus the reality of an abs
international standard. Within the
system, SDRs may have a place; but
now that SDRs are de-linked from
will it not follow that if all the major
rencies reduce their exchange value
terms of gold, the gold value of SD
would have gone down? If the m
price of gold, in terms of which cou
may revalue their gold reserves, ten
go up through time, will not SDRs
tend to go down in their gold va
What prevents central banks from
valuing all their exchange reserves in
of gold? In a way, to the extent th
course of time, the central banks re
their gold reserves in terms of the la
market price and are eager to enter
trade and capital transactions throug
settlement media of gold, and to th
tent to which inter-country loans
loans within each country may carry
guarantee in terms of market or ma
price related price of gold, will no
SDRs tend to become a parvenu?

We may note that SDRs cannot be
a convenient medium of settlemen
private transactions. All these s
make one 'take with cartloads of
any deduction that simply because the
abolishes the official price of gold,
has been banished! More often than
when you throw something out of the
dow, that which is thrown out, wi
enter from the door!

A most glaring weakness of neo-c
cal trade theory is its inability to ex
the strong and enduring shift in tern
trade due to the oil crisis. Terms of
and import and export prices were de
as naturally given factors incapable
permanent jolt due to concerted-polic
rangements from one group of coun
The notion of recycling postulates

The world had nothing before it got zero

India introduced the concept. The Sanskrit name for the figure was Śūnya meaning void. India was the first to use it in the modern form. The earliest inscription dates back to 800 A.D. But there is evidence in Indian scriptures that the zero was used centuries before.

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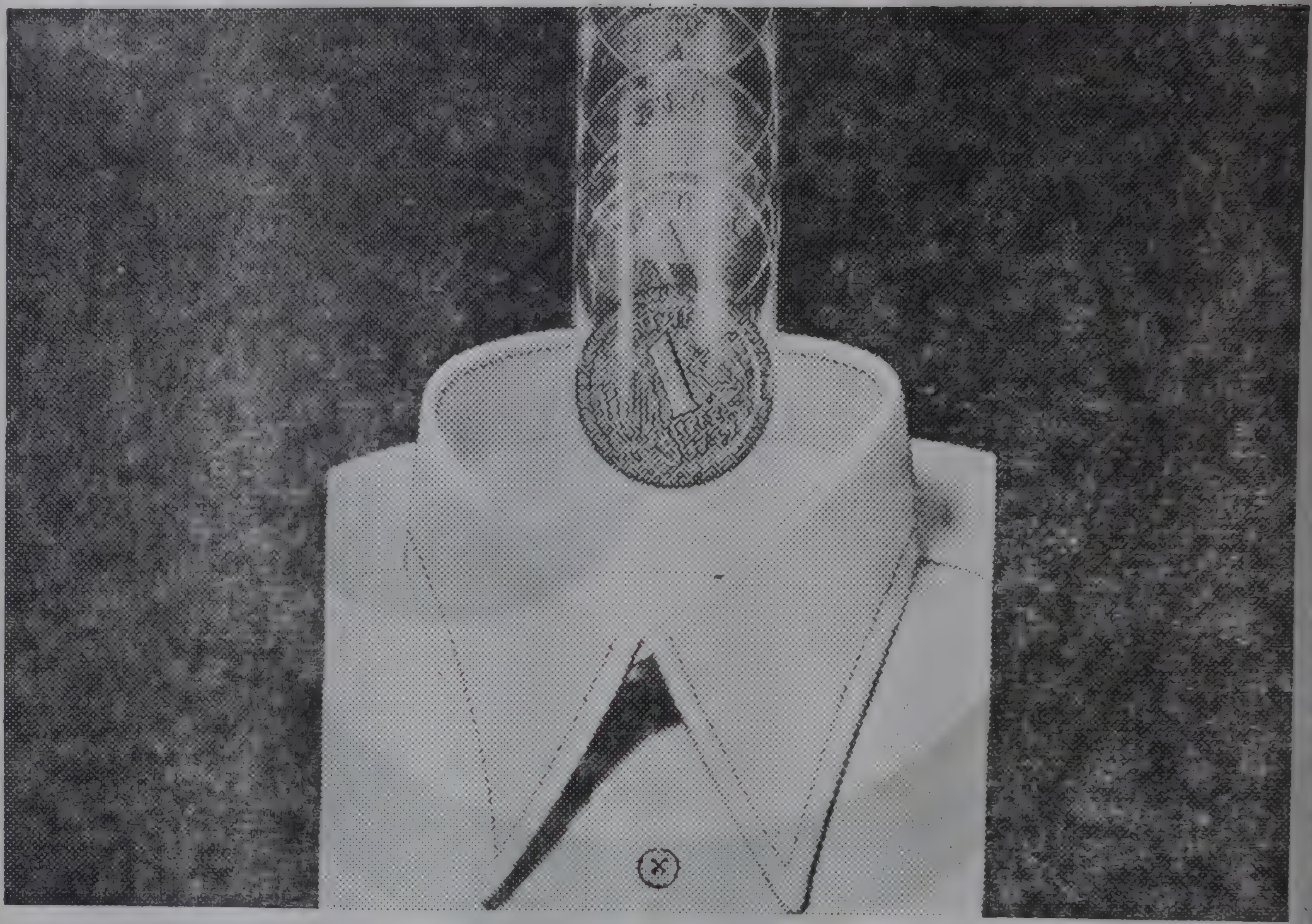

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rather long, and hence the need for ves and 'credit facilities'!

hat are the essentials of the classical dpoint on International Trade and ey?

In each country there tends to be a le relation between the value of gold rves and the supply of money, of which ency and deposits may form the whole ion without there being any actual coins.

The above relation expressed in terms he ratio of gold reserves to money is ble of change in a downward direc- through a natural evolutionary pro- if violent disturbances affecting the fidence of people in the monetary sys- do not intermittently occur.

The price of gold in terms of different encies is outside the control of any le central bank or any single sovereign ntry. There tends to be a stability in price of gold in terms of each country's ency.

The stability of the exchange rate of currency *vis-a-vis* the other is facili- d by the operation of the 'rules' of the l standard, the most important of these s is that such adjustments in the supply money and interest rates in each coun- occur as to cause desirable variations he levels of prices and money incomes in the trading pattern.

Each country is deemed to follow adly a policy of stabilisation of the ney measure of the net productivity of our. Since the implications of the sical standpoint are not very obvious, east in the current day popular litera- , some elaboration is required. (A er discussion of the respect in which Rules need modification in the light of nges in the organisation of the de- oped economic systems is contained in apter XII of 'Gold-Money Rift').

orrect assessment

t is incorrect to imagine that the classi- standpoint implies a waste of produc- resources in the mining of gold. The io between gold and money can be bilised at any low value provided the nomic arrangements are credible — t merely intrinsically credible, but deem- to be so in the trading and banking cir- s of the international community. ven the different ratios in different coun- es, the volume of money supply in each untry may be deemed to be exogenously termined; an improvement in the mea- re of productivity per unit of labour would lead to a fall in the relative prices of the commodities in whose production productivity has increased, and there would tend to be a general fall in the level of prices as a whole. This would imply some rise in the level of real wage rates. As exports would rise,reserves would eventually go up and money supply would tend to go up. The gains of productivity would be transferred to the people, producers and consumers, of other countries.

real wages

However, any general improvement in productivity anywhere in the trading world as a whole cannot but lead to a general rise in the real wage rates, and/or in employment, where it is due to shortage in the wage-fund, and such a rise would tend to be sustained, provided induced population growth changes do not take away the gains. In order to maintain real wages on a continuously rising trend,each country will have to be ahead of the other in productivity improvements. What the classical standpoint maintains here is that, for any given productivity change, only that measure of improvement in the well-being in the initiating country would be sustained as would belong to the entire world. True, over the longer period, productivity improvements in gold too may occur leading to gold exports in a commodity form from the gold-producing country, culminating in increases in money supply and prices, and money wage-rates. But note that rises in money wage rates are lagged. So long as productivity increases in non-gold commodities are contimuously occurring, there tends to be a straighforward improvement in the level of real wages all around.

It is extremely important to realise that even a country in whose production-conditions, diminishing returns would be accruing and/or no improvements in productivity had occurred, would be gaining through an improvement in its terms of trade. The fundamental rationale of the classical standpoint is the emphasis on the stability of the money value of the net product of labour, thus guaranteeing in the manufacturing countries, subject to increasing returns, a secular trend of fall in money prices of such products and corresponding rises in real wage rates as measured in the access to these products. At the same time, for the diminishing-return-product-dominated countries, gains would accrue because of the improvements in the terms of trade. Such improvements in the terms of trade in favour of the primary-products-exporting countries is conditional essentially upon the observance of the rule of stability in the money value of the net productivity of labour.

One may characterise an international system in which for each country money supply is exogenously determined as a neutral international monetary system. It is obvious that any system of rules by means of which the manufacturing count-

TABLE I

Rates of Growth of Crucial Liquidity and GNP Measures: The Rich Eleven

(Compound Rates)

	1938-51	1951-61	1961-72	1938-61	1938-72	1951-72
1. Money[1]	8.17	4.50	8.40	6.56	7.16	6.51
2. Gross External Liabilities and/or Assets[2]	7.85	5.17	9.34	6.66	7.13	7.32
3. Gross National Product Current Prices[3]	8.17	6.24	8.32	7.32	7.99	7.92
4. Official Reserves[4]	3.16	2.29	7.10	3.06	4.35	5.08
5. Gold[5]	1.72	—	—.55	1.51	.83	.30
6. Real GNP	2.16	—	—	—	3.35	4.09
7. Quantum of Trade[6]	1.93	6.12	8.99	3.73	5.41	7.62
8. Unit Value of Traded Goods[7]	7.45	—.69	2.19	3.84	3.30	0.81

[1] In US dollars with adjustments for parity changes, [2] The author's concept (vide 'Gold-Money Rift', pp. 314-20). GELA includes official reserves as in International Financial Statistics (row 4 here) plus all other short-term external liabilities of different countries including of US, as reported in IFS. [3] In US dollars. [4] As from IFS; figures in US dollars. [5] At official price. [6] & [7] From UN's Monthly Bulletin of Statistics. Refers to the whole world.

ries allow prices and money wages to be held constant in a context of improvements in productivity is unneutral from the angle of the primary-product exporting countries. Further, a system which permits a continuous rise in the level of money prices of products and in which productivity changes are occurring at a fast rate and of money wage rates is not merely not neutral, but violating the fundamental conditions of classical justice. If the implications of the above standpoint are accepted, it is clear that it is only under conditions of strict gold standard that the primary - product - exporting - countries would tend to get a measure of justice. The gold standard thus is a friend of the poor countries. As we shall point out later, throughout the post-Second-World-War period, the productivity of labour in the developed countries has been rising at a compound rate of more then three per cent per annum, but the level of export prices of the products in these countries has been rising at nearly one per cent per annum. Imagine the colossal potential loss which the poor third world has suffered during the entire post-Second-World-War period as a result of the non-existence of the gold standard.

real income equivalent

According to my rough estimate, the price level of exports of the developed countries should have fallen from 100 in 1938 to about 20 or so in 1970. Even assuming that the money prices of exports of primary products would have been halved, there would have been an improvement in the index of terms of trade of the primary-product-exporting countries by about 150 per cent or so. The real income equivalent of the gains over this period is many times the total aid that the developed countries have given to the underdeveloped countries. But the domination of the neo-classical and neo-Keynesian economists has been so pervasive in the minds of spokesmen of the underdeveloped countries that the strongest attacks against the gold standard have come from those whose potential gains have been expropriated from them because of the absence of the gold standard! Keynes' phrase that "gold is a barbarous relic" has affected the minds of the economists of the underdeveloped countries so greatly that they would rather beg and cringe for charity rather than demand justice and be deemed barbaric, crankish or obsolete! Can orthodox western economics boast of a greater triumph than this ? Strangely enough not even Raul Prebisch appears to have pleaded for the reintroduction of the gold standard or of the stimulation of rules as per the old standard.

Often it has been pointed that the stability in the ratio between gold and money in each country cannot be obtained under conditions in which a country's trade is a small portion of its GNP. For example, cannot a country such as the USA deviate from the stability rule for quite some length of years? What this points out to is that the adjustment process for a large and trade-undependent country such as the USA is prolonged. Even in the US, over the longer run, trade and capital flows are important. There are a number of inputs for which the US is heavily dependent upon the rest of the world. It is not so much the proportion of trade to GNP, but how important the imported inputs are in the matrix of production that clinches the issue. As we shall point out later, the magnified crisis in GNP and trade that is triggered by oil shortfalls proves our point.

As a result of the impact of the so-called Keynesian theory in the post-Second-World War period and the encouragement which the IMF arrangements gave to the popularisation of the gold exchange standard, what came to prevail in the post Second-World-War period is not a gold-based monetary standard, but a gold-based-liabilities-based monetary standard.

The proportion of gold value at the official price to total reserves went on diminishing. But the world has paid a heavy price for its prolonged deviation from the rules
the strict gold standard. What has co
about is not merely a process of headlo
inflation, but also two sorts of massi
forced savings imposed on the world: t
first case of forced savings is that impos
by the US monetary and fiscal policy up
the European countries; the second whi
is much more important and ethica
more disturbing is that imposed by the
and Europe jointly upon the third wo
countries.

A second criticism that is levelled agai
the gold standard is that the growth-r
of supplies of gold is far too meagre in
lation to the requirements of a media
international transactions and settlemen
There is a great error here. If the g
standard conditions had prevailed the r
value of gold would have been consta
ly moved up; this would have implied
higher rate of production of gold th
would have been the case otherwise.
sides, as prices would be falling and
trade volume would be growing, the
quirement of media would be growing m
slowly than the latter, because of the
in price level.

A third, and a rather uninformed cr
cism, levelled against the gold standar
that the supplies would tend to grow
fits and starts; whereas the supplies
SDRs, it is said, can be made to grow
cording to a steady rule. It is realised
the growth rate of production in the wo
as a whole depends upon real factors

TABLE II

Secular Trends in Reserves, Money, Output, Trade and Prices

	1938	1951	1956	1961	1966	1969	1970	19
A. Total Official Reserves	24	36	42	48	51	53	63	1
B. Gold Reserves	24	30	32	39	35	31	30	
C. Total Gross External Liquid Liabilities/Assets	24	64	78	106	134	148	179	
D. Money	62	172	207	267	367	432	474	
E. Imports	15	44	58	80	128	178	210	
F. Gross National Product at Current Prices	180	499	673	914	1356	1775	1921	2
G. Index of GNP at Constant Prices	100	132	—	—	230	251	271	
H. Index of Quantum of Trade	74	95	128	172	260	348	379	
I. Index of Unit Value of Traded Goods	42	107	102	100	105	107	112	

A to G refer to Rich Eleven. A to F in billions of current US dollars. H
to all developed countries.

e tends to be some fluctuation in the vth rate. As a result , the effect of a dy rate of growth of SDRs cannot by f tend to overcome the fluctuating na- of the growth rate in production. Be- s, we can always conceive of such an rnational system as would, through l buffer stock operations, enable as irable and as steady a rate of growth gold supplies as one desires.

pirical reality

et us briefly examine whether the classi- analytical framework explains adequate- he empirical reality of the post-Second- r experience. Table I (p. 387) gives the mpound) annual rates of key reserve gnitudes, money supply, trade and GNP current and constant prices. Data over eral time-intervals are provided. The a pertaining to magnitudes 1 to 6 refers the rich eleven countries together. ese are the USA, the UK, France, rmany, Italy, Belgium, Canada, the therlands, Japan, Sweden and Switzer- d). Together they account for more n 80 per cent of world's GNP, trade ntum and reserve The money units in US dollars with adjustments for hange parities of the US dollar with er currencies.

Money supply of the rich eleven grew compound rate of 4½ per cent between 51 and 1961 but this rate jumped to 8.4 cent for 1961-72. The trade quantum w at 6.12 per cent between 1951 to 1961 t at 8.99 per cent between 1961-72. wever GNP at current prices w at 6.24 per cent for 1951-61 t jumped to a growth rate of 2 per cent between 1961 and 1972. The h world's money supply in recent riods shows a closer affinity with move- nts in trade quantum than with those GNP. A disturbing finding for the iedmannians. Friedman believes in e internal autonomy of the factors deter- ning money supply. This has been allenged by me in 'Gold-Money Rift'. e data shows that money follows inter- tional trade etc. No country, certainly e non-US world, has autonomy in its oney supply. Even the US has to bow to ternational compulsions over the long n. To understand the post-war behaviour the world's money, Ricardo and David ume are better guides than Milton riedman. What is also interesting is that etween 1961 to 1972 the money growth te was more than equal to that during 38-51. Who says war and its aftermath re the sole promotors of inflation?

Between 1938 and 1951 the income-velocity was about constant, it rose steeply during 1951 to 1961 but tended to become constant during 1961 to 1972. This is interesting because according to Lord Kaldor there is no upper limit to velocity. Interest rates, all of them, long, medium and short, have been seeking to rise sky-high to meet Almighty during 1961 to 1972. Velocity should have gallopped. That this did not happen demonstrates the saneness of yet another very eminent bit of classical truth. Income-velocity does have a ceiling.

We noted that currently the growth-rate in money supply is higher than that during the war and immediate post-war period. The former rate is very much higher than the growth rate in GNP. Since productivity rates have been continuously rising in these countries and these have been rising much faster in the export sectors of these countries, there should have been a pronounced tendency to fall in the unit value of traded goods. It was only during 1951-61 that this value was tending to fall. This was also the period wherein the growth rate in money supply was less than that in the quantum of trade. It follows that the excess of the growth rate in money supply over GNP and over the growth rate of gold reserves has been responsible for the rising tendency of the unit value of traded goods during 1961-72 and for preventing it from falling at a faster rate during 1951-61. Taking the periods 1938-72 and 1951-72 there has been a rising tendency in the unit value of traded goods.

source of injustice

This then is the source of injustice in the distribution of gains from trade. If there had been an observance of gold standard rules the rich world's money supply would have grown by less than three per cent per annum; for, with a rise in the commodity-value of gold, the growth rate in production of gold would have risen. A reasonable assumption is that gold growth would have been at a maximum compound rate of three per cent per annum leading to a maximum growth rate in money supply of three per cent. This is less than the growth rate in real GNP. We should have witnessed a rather steep falling tendency in the unit value of traded goods. The export prices of the commodities of less developed world too would have a falling tendency. But as diminishing returns are the characteristic feature here, the index of terms of trade would have moved massively in favour of the third world countries.

The big question is as to why and how the growth rate in money supply has deviated from the classical rule that it should be close to the rate of growth of old reserves. There are three answers to this. The first states that had not the money supply grown at the rate that it has the world would have faced a depression. The explanation proceeds from country to country by resorting to the hypothesis of the Phillips' curve. This explanation appears to depend upon the hypothesis that for the (rich) world as a whole the growth rate in money-wages and in prices fixes the growth rate in money supply. The second and related hypothesis is that within each country too money supply is autonomous. However these two hypotheses cannot explain the reason why the international world is in series of crisis. Why is it that the distribution of the burden of adjustment is also an important issue? What explains why different countries are intermeshed with each other?

missing the issue

A second explanation is that the US has helped to prevent the world from plunging into a depression by being the leader in money supply generation. After all the US is just satisfying the growing liquidity hunger (or thirst) of the world. Unfortunately this explanation misses the issue of justice. The two sorts of forced savings imposed on the world have led to a re-

TABLE III

Some Key Ratios

	1938	1951	1961	1970	1972
$\frac{\text{Imports}}{\text{OLR}}$	—	1.2	1.7	3.2	2.6
$\frac{\text{Imports}}{\text{GNP}}$	8%	9%	9%	10%	11%
$\frac{\text{GELA}}{\text{G.N.P}}$	13%	13%	12%	9%	11.5%
$\frac{\text{Money}}{\text{Gold}}$	2.6	5.7	7.9	16.0	20.0
$\frac{\text{Money}}{\text{GELA}}$	2.6	2.7	2.5	2.7	2.3
$\frac{\text{OLR}}{\text{Gold}}$	1.0	1.2	1.4	2.1	3.5
$\frac{\text{GELA}}{\text{Gold}}$	1.0	2.1	3.1	5.8	9.4
$\frac{\text{GELA}}{\text{OLR}}$	—	1.8	2.2	2.8	2.8
$\frac{\text{GNP}}{\text{Money}}$	—	2.9	3.4	4.0	3.8

bellion against the theory of the US as a custodian.

It is no good rationalising by theory the imperfections and injustices of a world which initially itself was never a harmonic ordered comity. The third explanation offered in 'Gold-Money Rift' is that the post-war monetary arrangements as viualised in Bretton Woods contained the seeds of the world inflation. The gold-exchange standard is a palpably unjust and unneutral mechanism. Its inequities in a world of unequal economic power of different countries came to a surface when the European nations struck at the credibility basis by holding gold reserves and thus not enabling an automatic recycling process. The world's money supply, according to the Bretton Woods arrangements was made a multiple of the willingness of the US to incur external 'liabilities'. The measure of such willingness was over the long-run the basis of the US money supply and of its strength in balance of payments.

external liabilities

The external liabilities of the US were the assets of the foreign central banks and thus served as double-base for monetary expansion. Table III bears this out very clearly. Money supply's growth rate has been very close to the growth rate of GELA. There is an extraordinary stability in the money to GELA ratio. This ratio was 2.6 in 1938, 2.7 in 1951, 2.5 in 1961, 2.7 in 1970. But by 1972 it had come down to 2.3. This is the origin of the present crisis. For till recently the European countries were resisting the GELA standard. Now that the primary-product-exporting countries are asserting themselves the US and the European countries are coming together. For increasingly from now on an increasing share of reserves in the form of dollars etc. will be held by the primary-producers, by mostly the oil-exporting countries. Together the west (and Japan) can transfer the burden of surplus dollars to the third world. The latter can hold the baby. Why not?

True there is some chutney for the third world. This is the much-vaunted oil facility. But the third world has not noted that the cake has gone. The crumbs belong to the poor. In place of the link, the oil facility emerges. The major claimants on the SDRs will be the rich world.

What a pity! Some years ago this writer put forth a plea that countries such as India should either plea for the restoration of the gold standard and/or support the plea for a rise in the gold price, the profits on the rise being distributed to the third world. He termed the SDR's as *Surrogate Dollar Reserves*. He was thinking of the European countries as ultimate holders of these reserves. But he was mistaken. The bulk of these reserves will now be held by the OPEC countries. We now understand why the market gold price has now become respectable signal to the central banks. The SDRs are now delinked from gold. The developed ones will perhaps use the gold for trading settlements among themselves and the SDRs will come home to the third world.

That of course would be a Dual Standard. But then it has always been so. This paper has been written just to prod the conscience of the leading economists of the western world. Long ago Jacques Rueff stated that the profits arising out of the gold prics revision should be shared with the third world. The official spokesmen of these countries laughed at the idea of gold staging a come back. Now it has come back but kept outside the IMF. Perhaps there was a fear that the third world countries would have claimed most of the gold and sat on these reserves. Now there is no such possibility. The barbarous rel must be kept away from the less develope countries.

Table IV gives some revealing data r garding the distribution of reserves aft the informal arrangements for the restor tion of the market price of gold to its du status in the computation of reserves. Gol now becomes the single most importa reserve asset. The total of all official r serves gets boosted tremendously. GEL too goes up. The less developed countri get their relative share of reserves redu ed. Obviously as the price level would g up by the proportionate extent of the i crease in total reserves their absolute sha gets reduced. The Middel-East countrie the OPEC group gets a substantial relati and absolute reduction in their share of r serves. (Oil price versus gold-price?) W should now expect two consequences. B then will the rich continue to allow the e pansion of dollars and other exchange reserves. A possibility is that SDRs ma now be permitted to be expanded. In th context as noted earlier the oil-exporti countries will be surfeit with SDRs. A these may be recycled. This is the op mistic view. Suppose along with SDI

TABLE IV

Reserves (Formal plus Informal) in the New Set-up

What revaluing official gold to $170.4 would mean (September/October 1974)

	Gold reserves at $ 42.22	Gold reserves at $ 170.4	Total reserves (gold at $42.22)	Total reserves (gold at $ 170.4)	% increase in total if gold revalued t $170.4
World	42.4	169.8	210.3	337.7	61
Industrial Europe	21.3	85.4	75.3	139.4	85
Germany, W.	4.9	19.7	32.1	46.9	46
France	4.2	16.9	8.9	21.6	142
Italy	3.4	13.8	6.9	17.3	150
Switzerland	3.5	13.9	7.5	17.9	139
Netherlands	2.3	9.1	7.0	13.8	98
Belgium	1.8	7.1	5.3	10.6	100
UK	0.9	3.5	7.5	10.1	35
USA	11.5	46.2	15.6	50.5	219
Japan	0.9	3.5	13.5	16.1	20
Less Developed Areas	3.8	15.0	70.7	81.9	16
Of which:					
Nine Mid-East Countries	1.2	4.8	26.2	29.8	14

Source: *IMF International Financial Statistics*, December 1974; and *Financial Time* Friday, January 10, 1975.

lars keep on pouring. In that case the ggle will be between SDRs and dollars. ere is one window from headlong inion. That is the rising tendency of d price. There would be a tendency for price to be linked to the market-exchange rate of dollars or SDRs with gold. This again may lead to prolonged world inflation.

Thus we are poised on the two horns of world inflation, whatever the course. But inflation causes redistributions, not all of which are welcome. There is only one solution of wisdom and justice. That is to banish both SDRs and dollars from the reserve status. That course would also be just.

Bhilai's commendable progress

R. C. Ummat

DDUCTION-WISE, the Bhilai steel plant P), which celebrated 20 years of Indoviet economic collaboration on February may not be faring as well during the rent financial year as it did years ago. Yet considering the diffities it had to encounter during the three nths to June last, when railway operans were disrupted by unrest among railymen which culminated in the last y's strike by them, its overall perfornce this year has been commendable. e plant is expected to yield during the months to the end of March 2.010 mila tonnes ingot steel and 1.685 million nes saleable steel — corresponding to rly 81 per cent of the rated capacity ich is 2.5 million tonnes ingots and 1.9 llion tonnes saleable products. Barring three months to June last, it has, in t, been working to nearly 87 per cent acity.

proved capacity

Last month the utilization of the ot-making capacity improved to even much as 93 per cent. In 1972-73 as a ole, the installed capacity could be utid to slightly more than 90 per cent. mpared to 1973-74, production this r is anticipated to be higher by 206,000 nes ingots and 3,000 tonnes saleable el. Had the railway strike not affected erations in April, May and June, the 72-73 performance could have been easiequalled, if not excelled, this year. The lway strike affected the plant in two ys. First, although the overall supply coalw as well maintained — it improved m 188,000 tonnes in April to 229,000 nes in May and 250,000 tonnes in June there was imbalance in the availability different categories of coal. This hamred proper blending. Secondly, the slow vement of finished steel from the plant partly on account of slackness in dend following curbs on construction activity, but mainly due to transportation difficulties — too had its impact on production, though to a limited extent.

Financially, the plant is expected to do much better this year. Even though there has been nearly 25 per cent cost escalation since 1973, due to higher prices of bought-in items such as coal and refractories, mounting costs of iron ore, limestone and dolomite from the captive mines, sizeable increases in the wage bill, water and electricity charges, etc., the net profit this year is likely to be much better than last year when it was about Rs 18 crores. To some extent the profitability of the plant has been improved by the realistic upward revision effected towards the close of 1973 in the sale prices of its wires and rods —which account for nearly 20 per cent of its saleable steel output. But the major contributory factor to increased profitability has been the significant reduction in the coke rate — from about 900 kgs. per tonne of steel to nearly 750 kgs. The profitability would have been even much higher had the plant not been made to supply rails to the railways at a loss of about Rs 250 per tonne.

encouraging fact

The more encouraging fact about the plant, however, is that with its equipment in excellent shape, personnel well trained and labour not showing any significant unrest, it can — unlike the Rourkela and Durgapur steelworks — operate to the full rated capacity if adequate supplies of coal and refractories of the right quality can be ensured. For optimum coke pushing, the plant requires nearly 350,000 tonnes coking coal monthly, against which the supplies even last month—when the plant on some days operated to nearly 93 per cent capacity — did not exceed 300,000 tonnes. Some imports of refractories have been effected from Japan as indigenous supplies, both quality-wise and quantity-wise, have not been adequate. Besides adequate supplies of coal and refractories, the full utilisation of the plant's capacity also requires — psychologically at least — coal stocks for seven days' consumption. Currently, they aggregate to about five days' consumption and that too after the Bharat Coking Coal Limited made special efforts to push up its output during the fortnight ending January 14 and the railways made available increased number of wagons. The supplies of limestone, dolomite and iron ore, of course, are no cause of concern. In fact, the production of iron ore currently from the captive mines of the plant far exceeds requirements. The surplus output has been offered to the other steelworks as well as for export.

other measures

Although the ensuring of adequate quantities of coal and refractories of the right quality can help in achieving full utilization of the plant's capacity, two other measures, according to the management of the plant, can make the task much easier. These are adding of two more soaking pits and the laying of an eplictial track in the blooming mill. One soaking pit has already been sanctioned; it is under construction. Sanction is awaited for the other soaking pit and also for the eplictical track the detailed project report for which has already been prepared. An expeditious clearance of the two schemes is urgently called for as the investment involved — just a few crores of rupees — is not heavy compared to the wholesome results that can be obtained.

The above, however, does not imply that the plant management has no headaches. Recently, a major source of anxiety has developed on the water front. Due to severe drought during the past two years in the Chattisgarh region of Madhya Pradesh where the plant is located, the water level in the rain-fed reservoirs, which supply water to the plant as well as the Bhilai township, has gone down to precariously low levels. To fully meet the requirements of the Plant, water supply to the township has been severely curtailed to about four hours a day. It might be reduced further to a couple of hours daily with a view to conserving water in case the monsoons are delayed. But if drought continues, the plant operations are bound to be affected. The plant management finds itself in this plight primarily due to the delayed sanctioning of the construction of the Mahanadi reservoir. This reservoir — primarily an irrigation project — is expected to be completed in about two years. Till then water supply can be a cause of serious concern if the rain god does to smile.

substitute coal

With a view to overcoming the difficulties on the coal front, the plant has attempted to utilise during the last two months lower grades of coal from the Damoha and Kalichappa mines of the Coal Mining Authority in central India. Nearly 60,000 tonnes of this coal have been made use of. The trials, of course, have not been completely successful. Yet they are being vigorously pursued in the long-term interests of the plant. It is felt that if this coal can be washed so as to reduce its ash content from about 22 per cent currently to 16-17 per cent — which is possible — the coal problem of the plant can be solved even for the envisaged expansion programme. Incidentally, the power requirdements of the expansion programme have been ensured by the state electricity board which is augmenting its genertion capacity by 480 MW by 1976. Apprehensions about power supply had arisen recently in view of the growing requirements of the Korba aluminium complex.

The current expansion programme of the plant, which envisages the raising of its capacity to four million tonnes and diversification of the product-mix to include the manufacture of heavy plates required for various strategic purposes, shipbuilding and production of high pressure boilers, appears to have come under cloud due to financial stringency. It is scheduled to be completed by 1978-79 — the final year of the current five-year Plan. Till now about Rs 40 crores have been spent on its implementation. Next year's requirements are estimated to be at least Rs 80 crores. This allocation has not been finalised as yet. If adequate resources are not available, the programme may spill over to the next Plan period, even though SAIL sources are confident of accomplishing the task according to schedule. Besides the manufacture of heavy plates, the programme envisages introduction of continuous casting — for the first time in the ountry. The plate mill, incidentally, will be the largest in Asia; it will be producing 3600 mm wide, 5 to 40 mm thick and 4 to 15 metres long heavy plates, initially to an annual capacity of 950,000 tonnes. Ultimately the capacity would be increased to 1.2 million tonnes when the plant is expanded to 4.8 million tonnes.

To be assisted by the Soviet Union, the expansion programme is now estimated to cost nearly Rs 1,000 crores, compared to the estimate of about Rs 280 crores when it was conceived about seven years ago. This is expected to affect the profitability of the plant a great deal. It is feared that unless the prices of plates are suitably revised by the time they start coming out of the expanded plant, heavy losses might have to be incurred. At the current prices of plates, the plant will be losing as much as Rs 168 crores per annum for about 25 years.

Actually by the time the plant is expanded to four million tonnes capacity, should be able to produce much mor for through an innovation permitted the Soviet Union, which introduced first at home, the existing blast furnac can be made to yield nearly 50 per ce more steel within the same tapping tir than they are doing at present. The inn vation is the widening and deepening the present blast furnaces at the two en of the furnaces complex by 25 per ce each way so as to approximately dout their capacity and the linking of the oth eight blast furnaces and deepening the by 25per cent to increase their capacity about 30 per cent. Work has alrea been taken in hand at one end of t complex. Oxygen lancing has also be introduced. The reduction in the co rate to 750 kgs. per tonne of steel has be brought about by this method.

It is further encouraging to note that t past experience is being utilised to the f in designing the new iron ore mine in t Dailli range which will be feeding the panded plant with iron ore. A number modifications have been agreed to in t Russian detailed project report of the n mine, the most important among th being the use of auto transport, instead rail transport, on the mine benches. T is expected to bring down mining co significantly.

RECORDS AND STATISTICS

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WINDOW ON THE WORLD

In and around Pacific Asia--IV

V. Balasubramanian

AYSIA has been described as a country ch just happened. I myself would that it is a country which is still pening. The process has its negative as well as its positive aspect. Let get done with the former first.

Malaysia, like any other country, its share of political controversies. re is however one issue on which politicians and political parties, which e any sense of responsibility for the ire of the country, are impressively agreement, This is that Malaysia become a confirmed fact of history y in terms of a multi-racial society in ch its racial ingredients are brought emotional harmony and cooperative itical, social and economic existence. cording to official statistics, the Malays stitute 44 per cent of the total popuon of 12 millions, the Chinese 36 per it, Indo-Pakistanis nine per cent, the digenous tribes of Sabah and Sarawak ght per cent and 'others' three per nt. There is no reason in theory why ese racial categories should translate emselves into corresponding political oupings, but the fact is they do.

The explanation lies largely in the onomic structuring of the Malaysian opulation. Historically, thanks to the mitations set by their small-peasant ilture and the compulsions imposed on iem by the British colonial rule, the lalays have been hewers of wood and rawers of water in their native land. he Chinese and the Indian immigrants riginally came to work on the British lantations but the industrious and enterprising Chinese soon went into trade and commerce. first in symbiotic relation with the British-dominated foreign trade sector and later as an increasingly independent constituent of the finance and commerce of the land. Those of Indian origin, by and large, remained wedded to work on the plantations although, as resident Indian communities grew, the native generations moved into retail trade, service industries and public employment; there was also a small community of Indian moneylenders who had first moved with the migration of labourers recruited for work on the plantations. When Malaysia came into existence in 1962, this was roughly the racial character and the economic structure of the federation (exclusive of Singapore which was then a member, but which seceded in 1965).

The Malays, who had become politically conscious of both their grievances and their rights and privileges as the sons of the soil, naturally wanted to use their new-found political authority and leverage as the largest single racial community to improve their material circumstances and establish their presence in and control over the national economy in its various sectors. This meant primarily their increasing induction into trade and commerce, largely at the expense of the Chinese part of the population and their proliferation into the services and public employment substantially at the expense of the Indian part. The founding father of the Malaysian federation, Tunku Abdul Rahman, who was also its first prime minister, rightly, accepted the Malayan aspirations as legitimate, but he also thought that they should be realized in such a manner that emotional or political confrontations of a racial nature were avoided in the nascent polity of his country. This inevitably spelt a certain gradualism which the aroused expectations of the Malays found alien to their urgency. The resultant tensions were largely responsible for the racial riots of 1969 which became a turning point in Malaysian politics.

profound impression

Those riots made a profound impression on the Chinese community which had suffered heavily during the disturbances. Large sections of that community realised that they had to come to terms with the Malayan quest for the first place in the country's economy. These sections also felt that the Chinese population would serve its interests best if it would throw in its political lot with the moderate, multi-racial political philosophy of the Alliance government of Tunku Abdul Rahman. There were however other Chinese political groups which took the different view that a specific Chinese point of view had to be identified and preserved in the context of the evolving polity of Malaysia. In the election of 1969 these groups as well as certain Malayan parties in opposition were able to put up an effective show at the state level, especially in Penang state, Kelantan and Sarawak. When Tun Abdul Razak, who was deputy prime minister to Tunku Abdul Rahman, succeeded to the prime ministership in 1970, he decided to employ his extremely practical talents to building up a consensus party on as broad a basis as possible. By cleverly cultivating men that mattered, he had by 1973 succeeded in bringing most of the major opposition parties into the ruling Coalition and thereby transforming it into a nine-party platform centred in the United Malays' National Organisation (UMNO).

This resulted in his National Front acquiring complete control in all the states as well as at the federal level. Having thus firmed up his political base and personal authority he was able to take several useful initiatives both in domestic economic affairs and in the area of Malaysia's external relations with her immediate neighbours as well as with China. In fact, the only considerable thorn in his politcal flesh was the communist guerilla movement which had become endemic in the area of Malaysia's border with Thailand.

Perhaps the most purposive programme in the Razak administration is the comprehensive strategy it has adopted to promote Malays' share in agriculture, trade, industry and the services. Special land settlement schemes have been devised for the particular benefit of this constituent of the Malaysian population and credit institutions set up for rendering assistance exclusively to Malayan peasants and small-scale industrialists. The country's industrialization programmes have been made to emphasize particularly the participation of Malays in the capital structure and labour force of new industries, while industrial and commercial undertakings are required to employ certain percentages (up to 30 per cent) of Malays as an obligatory requirement.

sons of the soil

A remarkable aspect of this state of affairs is that the non-Malays, by and large, have come, to see the justice of the sons of the soil, described as "bumiputras" being helped through special measures to promote themselves to a prominent position in the economy of the land.

In the circumstances Tun Abdul Razak and his government were probably justified in assuming that they had masterminded an extremely delicate and potentially explosive process of political, economic and social re-structuring of the Malaysian community with an unexpectedly high degree of success. So much so, around the mid-months of 1974, the race riots of five years earlier had come to look like a bad dream. It was against this background that the prime minister opted for a general election in August of that year so that he could get his countrymen's retrospective endorsement of his policies of the previous four years as well as obtain a mandate from them to administer the country for another term in furtherance of his established policies. The appeal to the ballot box gave the ruling nine-party coalition, Barisan Nasional (National Front), a two-thirds majority in the federal parliament and control of all the 11 states in the federation. The opposition parties and independents who had fielded a total of 752 candidates for 424 seats, 107 in the federal parliament and 307 in the state assemblies, were reduced to a notional presence in the country's legislatures. The main opposition group, the Democratic Action Party (DAP), won just nine seats in the federal legislature and a total of about 15 seats in the state assemblies. The Social Justice Party (Pekemas) got only one seat in the federal parliament. Other opposition groups were simply eliminated.

'unnecessary evil'

Election statistics, however, do not always tell the true story and seldom the whole truth of the story. Curiously enough, within weeks of Tun Abdul Razak and his ruling coalition sweeping the polls, stalwarts in the ruling party had started speculating whether democracy could not function as well if not better without the benefit of opposition parties. The Home minister, Tan Sri Ghazali Shafie, and Tunku Razaleigh, the head of Petronas (Oil Authority), reputedly the prime minister's probable choice for a successor, made statements which suggested that Malaysia would do well to go in for a one-party state. The Home minister in fact declared himself to be of the view that, in the circumstances of Malaysia of today, a conventional opposition was both unnecessary and an evil. Naturally observers of Malaysian politics have been trying to figure out what all this could mean.

It is no doubt true that the communist threat has shown no signs of going away. On the contrary, militant factions among the communists have lately been taking to talk of active armed struggle, partly because of internal tensions and dissensions in their organization. It is also being suspected that these extremists are having some success in contacting student activists in the cities. These developments, even if they are really more serious than they seem to be, however, cannot justify the kind of kite-flying which the Home minister or other leaders in the ruling coalition seem disposed to treat themselves to about the next stage in Malaysia's political evolution. The compaign against communist terrorists has for some time now settled down to a military operation pursued with varying degrees of intensity and equally varying degrees of success. There is no indication that the conventional opposition, as the Home minister has termed it, is coming in the way of this operation. An explanation for the reservations expressed in the ruling party circles about opposition parties may therefore have to be sought elsewhere.

Quite possibly, discontent among the Chinese is becoming a problem. Although
philosophically and intellectually
Chinese and Indian communities m
have accepted the necessity and reaso
ableness of the bumiputras receiving i
creasing preference in all sectors of t
economy, non-Malayan individuals a
households, actually experiencing t
specific impact of the squeeze on th
employment or economic opportuniti
are naturally beginning to wonder wh
ther they are steadily being demoted
second-class citizenship in Malaysi
vaunted multi-racial policy. So long
the economy is booming, the no
Malays may not feel the pinch of t
bumiputra policy too much but, in rece
months, with growing inflation and
slump in strategic areas of the econor
such as rubber and lumber and in ind
tries such as textiles and electronics, t
non-Malays are becoming more and mc
sensitive to being discriminated agair
in business, the services and education

peculiar case

The case of the Indians has its pec
arly pathetic aspects. The bulk of them
of plantation workers or labourers
marginal employment. Many of th
has therefore lost their jobs or liveliho
due to recession in the plantations. Th
are however not considered eligible
the various relief or resettlement sc
mes which the bumiputras, simila
placed, could take advantage of. It i
matter of tremendous concern for t
Indian population in Malaysia that
government's land settlement sche
have completely left out Indian labour
thrown out of employment on the pla
tations. To make matters worse, th
political representation in the ruling co
tion is extremely feeble. Such politi
leaders as the community has are accus
of having found cosy berths for the
selves in the Establishment by adopti
a policy of "me-tooism" naked a
unashamed. One result of this jolt
the confidence in their future in Mal
sia is that many Indians, who wo
have finally opted for Malaysian citiz
ship have, hesitated to do so. This
course places them at an even grea
disadvantage in relation to the econor
opportunities in their country of re
dence. Thus the integration of the Indi
part with the rest of the Malayasi
community has been proceeding less f
and less smoothly than it might have d
under more favourable circumstances.

From the ruling coalition's point
view, however. the really major proble
is the developing attitudes among
Malays themselves. While the bumipu
policies may have been pursued vigor
usly enough to cause uneasiness amo
non-Malays, it does not seem to ha

n implemented effectively enough to rove the material conditions of the ss of the Malays themselves as much as fast as possible. Apart from the that the Malays currently own just per cent of all corporate assests in laysia, with the Chinese and the eigners owning the rest, 22 per cent the Malays earn less than M$ 100 out Rs 350) a month, as against 2.6 cent of the Chinese and 1.3 per cent the Indians. The average income of Malay household is only M$ 178.7 npared to M$ 387.4 for the Chinese l M$ 310.4 for the Indians. These erences correspond to the marked ference in income levels between the al areas, where most of the Malays concentrated and the urban areas, ere most of the Chinese and the lians live. About a third of the rural iseholds earn below M$ 100 a month, ereas less than 10 per cent of the an households are similarly placed. ain, the average monthly income of al households is less than half that the uaban households amounting to 435,

de gulf

Moreover, as education spreads in the al areas and more and more Malays to the towns for higher education or s, they are becoming more and more are of the gulf that divides the Mala- rich from the Malayan poor as well the leeway that the Malays as a ole have to make in relation to the inese and, to a less extent, the Indians. political terms this dissatisfaction is nslating itself into attitudes of dis- t or protest directed against the eli- nature of leadership of the ruling lition. The government, consequently, being criticised more and more for ing to perpetuate itself by oring the structural reforms which y be necessary for linking the coun- 's general economic development with l and rapid improvement in the living ditions of the mass of the people.

Although corruption has not become ajor issue in Malaysian politics, the position parties did level charges of lldduggery against the ruling coalition ing last year's election. There have o been stray cases of politicians in wer being accused of graft. At the ninistrative level there does seem to st corruption of a substantial order ecially in the public works depart- nt and the government agencies deal- with the dispensation of incentives, ilities and other benefits for indus- l entrepreneurs. Favouritism and otism are alleged in respect of ap- intments in public services and the common saying is that if one wants to get a government job or employment in a commercial establishment, it is no longer enough if one is a bumiputra; one should also be a bumiputra with proper connections.

In the latter half of December during my sojourn in Malayasia, newspapers in Kuala Lumpur were reporting a rather interesting case of corruption on the part of a government official. The man involved was one Mr Kripal Singh, a chief engineer, who was accused of wilfully failing to declare assets amounting to M$ 77,640 held in the name of his wife and their seven children. There is an anti-corruption agency called the National Bureau of Investigations but the general belief is that it does no more than toy with the tip of the Iceberg. If the ostentatious living of the men in power or privileged positions in Malaysian society or business community is any indication, there are certainly quite a few Malaysians whose material conditions seem to have improved very much more rapidly than that of the general run of bumiputras. Even on a Sunday Kuala Lumpur's main thoroughfares are crowded with luxury automobiles although during week-days the office-going middle-class has to make do with a conspicuously inadequate public transport. In this respect as in many others Malaysia's capital and India's seem to be sisters under the skin.

puritan approach

Since the Malays are Muslims and they form only slightly less than half the total population, the country and even the government do have a certain Islamic character. This means a considerable element of puritanism in the mores of private conduct or public behaviour, often buttressed or reinforced by the laws of the land. This situation has contributed in a measure to making the public particularly the reform-minded sections of the younger generation, sensitive to the issue of purity, integrity and austerity in public life. There is in fact a demand that the leadership of the ruling party should demonstrably return to accepted Islamic values. At the same time the puritan approach has also made for a certain spirit of intolerance which could and does embarrass or even cause serious harm to non-Muslim communities. For instance, it is a legal offence for a non-Malay male to cohabit with a Malay woman outside marriage and the man is therefore required to convert himself to the Muslim faith and marry his Malay mistress. There is one notorious case of an Indian prominent in Malaysian politics whose wife committed suicide at the second attempt because her husband chose to accept the legal consequences of having treated himself to a liaison with a Malay. Whether the religious overtones of Malaysian politics or law have anything to do with the fairly significant element of authoritarianism in Malaysian politics is a question which perhaps merits scrutiny. In any case it is quite true that authoritarianism exists, although under an umbrella of professed good intentions. For example, discussion of racial relations is taboo for political parties in the election campaign. The press, whether government-owned or other, is regularly under close supervision and news or views are sacred only to the extent that they are sanctified by approval, whether avowed or implicit, of the powers-that-be.

stresses and strains

It is of course true that stresses and strains are natural to any society which is in a state of flux and Malyasia is nothing if it is not dynamic in economic, social and political terms. Nevertheless, tensions have a way of breaking out into the open in unexpected forms or places and on unexpected occasions. At the beginning of October last the Johore state government had a taste of this experience. It ordered the evacuation of about 130 landless urban Malay families which had squatted on about 100 acres of public land at the place about three miles from the state capital of Johore Bahru. It obviously did not realize what it was letting itself in for. The demolition of the shacks and the use of riot police to push out the squatters signalled a protest agitation by the students of the university of Malaya, in the course of which some student leaders were arrested. This was in a way the curtain-raiser to a more serious outburst of student unrest in December which very nearly bought on a head-on collision between the government in Kuala Lumpur and student activists in many parts of the country.

On December 3, a police force in the capital city was confronted by a militant gathering of about 2,000 students on the grounds of the Selangor Club. There were allegations of the police having been attacked. In any case the latter used tear-gas to disperse the crowd and by the end of the day more than a thousand students were taken into custody. On December 4, matters took a graver turn and the police opened fire on student crowds on the campuses of the National university and the University of Malaya to prevent students from marching on parliament. For the next fifteen days or so student communities in Kuala

Lumpur, Ipoh and Penang were boycotting classes, taking to the streets and otherwise staging anti-government demonstrations. The anthorities however were able to bring the situation gradually under control through the judicious exercise of a mixture of means including force, guile and blandishment. The fact that a number of examinations became due in the third week of December greatly helped since by that time the student community was split along a number of lines.

internal differences

The agitation had been spearheaded by the Malaysian youth council which soon found itself torn by internal differences. Again, the leadership of the council seemed to have some reservations about the Chinese student leaders whom, it suspected, of being half-hearted. Simultaneously ministers and the government propaganda machinery began to charge the student-leaders of the Chinese language society with having been indoctrinated by communist influences. Foreign students on the campus, especially those from Australia, New Zealand and Britain, were also accused of spreading radical notions. Anyhow by the end of the third week of December peace of sorts seemed to have returned to the compuses.

Although the confrontation between the government and the students on this occasion was happily short-lived, this particular agitation had deep and perhaps far-reaching economic and political significance. The precipitating factor was the resentment felt by the student community over the economic crisis in which the countryside and particularly the small-holders were finding themselves. Given crashing rubber prices and rising rice prices these vulnerable sections of Malaysian society were clearly in deep trouble. Although the authorities dismissed reports of starvation deaths as "impossible", it was true enough that the government's relief measures were tardy, inadequate and altogether unimaginative. Moreover, the fact that thousands of villagers could be overtaken by such a serious spell of deprivation after at least two successive years of economic expansion and export prosperity was widely interpreted as suggesting that something had gone wrong with the way in which the ruling party thought fit to guide the economic course of the country. The recent general election which had vested the coalition in power with an oppressive monopoly of authority over the destinies of the nation was regarded as an indication that the forces of dissent or protest would necessarily have to appeal to the people over the head of the government. For us in this country the analogy with Indian politics is too obvious to be missed.

Let me not however be misunderstood. When all is said and done the fact remains that Malaysia has the most settled and about the least authoritarian political system among its neighbours in southeast Asia. At the same time. neither this political stability nor this relative liberalism can be taken for granted under all circumstances. The federation's vision of building an integrated multi-racial community is still in the process of being realized. Its avowed goal of ridding itself of mass poverty, which is a legacy of colonial rule, is still some distance away, even in terms of substantially improving the lot of the sons of the soil. Finally, in its attempt to reconcile the demands of parliamentary democracy to the requirements of rapid economic development, Malaysia's ruling coalition has not always been able to resist the temptation of the easier option of the politics of contrived consensus. In this sense, then, Malaysia remains a country, which is still happening, rather than a country which has already happened.

economic development

In another and far more reassuring sense too Malaysia is a country which is busily happening; this is in the field of economic development. Almost from its inception thirteen years ago the federation of Malaysia has been pursuing the business of economic development through all the means at its disposal. In a way this was far seeing Tunku Abdul Rahman's response to the communist subversion and insurrection which was a potent menace in the early years of the state. Side by side with the use of military force against armed communist bands, the Malaysian government has tried to woo and win over a poverty-stricken people by holding out to them prospects of material progress through the constructive exploitation and development of the country's human and material resources.

The current five-year plan, which covers the period 1971-75, is the second in the series. It aims at an annual average growth rate of 6.8 per cent in Gross Domestic Product [GDP] at constant prices to which agriculture is to contribute at the rate of 8.3 per cent. In terms of current prices Malaysia's GDP is expected to grow at 6.5 per cent to which manufacturing is expected to contribute 12.5 per cent, commerce 5.3 per cent and construction 9.4 per cent. Exports are to grow at 5.2 per cent per year at current prices and it is estimated that employment will expand through the
plan period at 3.2 per cent per annun
Public development expenditure under th
plan was originally prescribed at M$ 7.2
billion and the figure was revised subse
quently to M$ 9.35 billion in the light c
the progress actually registered by th
economy in the earlier years of the pla
The year 1973 was a particularly goo
year because of the exceptional perfo
mance of the export sector which helpe
to accelerate the rate of real growth
the economy to eight per cent in that yea
as compared to 5.5 per cent in 1972.

The production of rubber reached 1
million tonnes, which was 14 per ce
more than the output in 1972. Palm o
output went up by 18 per cent in 19
over 1972 and the felling of saw logs
13 per cent in peninsular Malaysia a
17 per cent in Sabah and Sarawak, whi
the growth in sawn timber output increa
ed overall by 11 per cent. In the miner
and mining sector, production of tin ar
iron ore persisted in its downward tre
but the petroleum economy continued
grow, with crude oil production rising
4.5 per cent in 1973 to 95,000 barrels
day. In agriculture, the main food cr
rice, was up by eight per cent in 1973 w
the result that domestic output co
take care of 90 per cent of the countr
requirements. In industry, output w
up by 25 per cent in 1973, thereby
counting for nearly 17 per cent of t
GDP as compared with just over 15
cent in 1972. The leading contribut
to this upward trend in manufactur
were vehicle assembly, wood processi
palm oil and kernel refining and rub
processing. The construction indus
supported a high level of activity w
output rising by 26 per cent.

export sector

A spectacular performer was
export sector, where there was a 40
cent increase in 1973 after a decline by
average rate of 2½ per cent in 1971 a
1972. This improvement was due to
creases in the volume, as well as hig
prices. For instance, exports of rub
which accounted for 30 per cent of
total export earnings, increased by
per cent in volume and 51 per cent
price. Timber, displacing tin as
second largest source of foreign excha
in 1973, showed increases in exports
the extent of 40 per cent by volume
115 per cent by value. The exports s
tor was also strengthened considera
by the steady emergence of Malaysia
the principal source of palm oil
world markets. Palm oil exports went
by 17 per cent in volume and 28 per c
in value in 1973 over 1972, accounting
nearly two-thirds of the world trade
this commodity and ranking fifth am

ia's foreign exchange earners. , the value of manufactured exwas higher by 46 per cent, with products, textiles, clothing, footmachinery and transport equipment ectronics ranking among the larger butors. Consequently, although ts had also gone up by 20 per cent 3 on account of food and beverages ing sugar and rice, chemicals ing fertilizers, and machinery red for the rising level of industrializa-Malaysia could boast of an improvin foreign exchange reserves which, e end of 1973, were equivalent to y seven months' imports.

-optimistic estimate

gainst this background of dynamism levelopment in the national economy, ysia was naturally disposed to forward confidently to 1974 in of the turmoil into which the omies of many countries had been wn by the oil crisis, which had enly surfaced in the closing months 973. As a matter of fact, oil could be much of a worry to Malaysia its crude oil production is in exof domestic consumption. It is true Malaysia does import crude from Persian Gulf countries but these orts are of lower grades, while its crude. thanks to its low sulphur con-, is largely exported at premium es. Making his budget statement in ember 1973, the Finance minister efully forecast a rate of growth of ut seven per cent in real terms in 3. He expected the export boom to naintained well into 1974 with a her increase in volume, and while llowed that the prices of commodiof significance in Malaysia's export le might ease from the very high els registered in the second half of 3, this retreat in prices would not be nificant and that, at the worst, Malays export earnings might dip by 3.5 cent only in value.

It was however on the issue of inflan that the Finance minister was most imistic. Consumer prices had risen 10 per cent in 1973 as against 3.2 cent in 1972. Given the long period relative price stability spread over decades which Malaysia had earlier joyed, these inflationary pressures re treated as an aberration arising out 'imported' inflation. It was pointed t then that import prices had risen 12 per cent in 1972 and by a further per cent in 1973. From this it was gued that, since there was likely to some general decline in prices in ernational trade in 1974, the element imported inflation in Malaysia's economy might correspondingly diminish. Most of these assumptions and estimates, however, have turned out to be over-optimistic.

In the first place, the plantation sector was thrown out of gear by the slump in the prices of raw rubber which occurred in the course of 1974 and since Malaysia is not only the world's largest producer of natural rubber but is also dependent on export earnings from this commodity for the economic viability and financial solvency of much of its countryside, it received some of the worst impact of the crisis in the world's natural rubber market. After twelve years of stagnation, the price of rubber finally freed itself and soared upward to reach a peak of 277 cents 'Malaysian' for R.S.S.I. (high grade rubber) in June 1973. It subsequently moved down to an average level of about 200 cents before again flaring up—this time in the wake of the Arab-Israeli war and the coup in Thailand—to an average price of nearly 203 cents in October, 1973. An all-time peak was reached on December 28, when the price of S.S.R.I. moved to 263 cents per kg. The price of rubber continued to rise in January and February, 1974, thereby seeming to justify the Finance minister's assessment that the price of natural rubber was bound to hold up since the increase in oil prices would encourage a switch from synthetic rubber. However, this proved to be wishful thinking in the course of 1974, with natural rubber prices coming down to as low a figure as 97 cents by November.

regional approach

This has necessarily made the government to bestir itself to do something to safeguard the economic interests of the country in a vital area of its highly important export sector. In the course of December 1974 the Malaysian government was busy canvassing the support of Indonesia and Thailand for a plan of regional cooperation in stabilizing the price of natural rubber in world markets. The Malaysian scheme envisages the cutting down of production by about 10 per cent and the creation of a buffer stock with an initial outlay of M$ 500 million (US $220 million) to be contributed by the three rubber-growing countries in the region, viz, Malaysia, Indonesia and Thailand. Initial reactions from Indonesia and Thailand have been favourable although the Indonesian view on a production cut was that the concept needed to be carefully examined. More immediately the Malaysian government has moved to provide some relief to its rubber-growers.

The Rubber Research Institute started buying rubber from small-holders in Perah from the beginning of December. It claimed that the response was tremendous and it is true enough that the government has succeeded in improving appreciably the prices received by smals holders for their rubber. Neverthelesl so long as there is a world recession and a slump in international demand for natural rubber, both the Malaysian economy generally and the economic circumstances of the small-holders, depending for their livelihood on the sale of and earnings from latex, are bound to be under strain. Moreover, so far as small-holders are concerned, the chronic disadvantage they suffer in dealing with middlemen needs to be dealt with through the re-structuring of marketing arrangements on lines more-radical than the government seems prepared for at the moment.

slump in timber

To the GDP estimated at M$ 9.58 billions for the year 1974, rubber is expected to have contributed about 30 per cent. The next big source is timber of which Malaysia is a leading exporter although neighbouring Indonesia is the biggest Asean source for hard wood for world markets. Timber is estimated to have contributed 13 per cnnt to the Malaysian GDP in 1974. There was a sharp slump in saw logs and sawn timber in international trade last year. Japan, a major buyer, severely cut down its offtake. South Korea and Taiwan, which import timber for processing into plywood for export to the United States, have also become indifferent buyers since the US demand for plywood has contracted. The decline in construction activity in many countries of the world, notably the United States, Japan and Britain, has had a direct adverse impact on the timber economies of those Asean countries which derive substantial foreign exchange earning from the export of saw logs or sawn timber. As a result, a large number of saw mills have gone out of business in Malayasia and this has particularly hit hard Chinese businessmen and traders who are prominent in this industry. But for the fact that the world price of and the international demand for palm oil have been holding well Malaysia's primary economy and its countryside would have suffered even more than it has done from the recessionary trends in world economy.

In the manufacturing sector too there are pockets of depression and unemployment. Electronics, which has been a flesty growth industry, has lately developed a bearish outlook partly because of a decline in domestic demand. More severely hit is the textile industry. Cotton yarn and fibre producers were the first to experience the effects of a recession. This was in the early months of 1974. Subsequently garment manufacturers started reporting a setback in demand. As the year progressed, textile companies began curtailing production with many of them limiting themselves to a three-day week. Faced with a buyers' market both at home and abroad, Malaysian firms in this industry have found themselves in a weak position vis-a-vis foreign-owned companies, which are larger in size, better equipped and more efficiently market-oriented. The situation has been complicated by the influx of Japanese and Hong Kong textile manufacturers into the Malaysian textile industry during the last few years. For some time now the Malaysian government has been under pressure to curb imports and counter dumping of textiles into Malaysia by east Asian exporters and it has already had to make concessions to this demand.

double-digit inflation

The picture then is that although the Malaysian economy has had an enviable record over a period of years of building up domestic prosperity as well as a strong export sector, it has not been in any way immune from the cold winds of world recession. There is unemployment and extensive under-employment in the primary sector and in the countryside, while localized depression has developed in some areas of the manufacturing sector. This in itself must cause a certain amount of economic distress and social stress. In addition, Malaysia has also moved into double digit inflation and for a country which has known relative price stability for quite a long period of years, this kind of pressure must be extremely difficult to accommodate or adjust to. Official estimates have conceded that inflation is running at an annual rate of about 18 per cent. The price level had peaked in March 1974 and since than it has been officially claimed that there has been some easing. Nevertheless, many non-official observers believe that the rate of inflation had accelerated in the closing quarter of 1974 when food prices were more than 24 per cent higher than what they were a year earlier. This is in spite of the fact that Malayasia produces 90 per cent of its own requirements of rice and that domestic rice prices compare favourably with world prices for the commodity.

The immediate outlook for the Malaysian economy would be largely determined by world price trends for raw rubber and timber. Unless there is some recovery in these areas, a good part of the country's rural sector will continue to be in poor shape. This would make inflation even more of a social and economic problem than it need to be. It is however possible that the rate of inflation itself may be brought down through a better balance between money supply and aggregate demand. A good deal of the liquidity of the Malaysian economy has come from the high level of private investment activity. It is possible that this activity may slacken to some extent partly because of the world recession, and the view many business forecasters take of the capacity of Malaysias domestic economy to raise its consumption standards in the near future.

livestock breeding

On the more positive side there is the determination of the government to increase food production and there is talk of the country becoming self-sufficient in rice. Efforts are also afoot to raise the sights of the country's beef industry. As it is, local cattle is of poor quality and much of the livestock is uneconomic, whether for dairy purposes or for the production of meat. The central strategy of livestock development has been laid down as the upgrading of local cattle through the introduction of strains of foreign and exotic breeds by artificial insemination. A recent report by French livestock experts has recommended the Charolais breed for beef and the Holstein and Brown Swiss breeds for milk. It is estimated that the country would need about 58 million pounds of beef in 1985, a requirement which would call for an increase of 26 million pounds over the present output.

It is interesting to note that Malaysian agriculture is to a very considerable extent quality agriculture in the sense that the use of fertilizers, improved varieties of seed and intensive farming techniques are widespead even among smallholders. There is also a certain amount of mechanisation of agricultural operations involving the use not merely of the simpler types of modern agricultural implements but also heavy farm machinery and equipment. This speaks well of the attention which the country's economic development strategy has been paying to the technical side of modernizing agriculture. Where Malaysian agriculture is weak is in its structural and economic aspects. It has already been mentioned that the owners of small rubber holdings do not get a fair deal from middleman or the marketing system. This is a difficulty which Malaysia's primary producers as a class seem to share. Again, there are far too many uneconomic holdings while tenancy legislation, as in our country, has much to answer for in the matter of honest or efficient implementation.

It should not be difficult to identify the growth sectors in Malaysia's immediate economic future. Petroleum and petroleum products are estimated to have contributed M$ 940 million or roughly 10 per cent of the total to that country's GDP in 1974. It is believed that the contribution of this sector would rise to M$ 1.5 billion in the next 12 months and to M$ 2.5 billion in another two years. This should more than make up for any decline in foreign exchange earnings due to adverse international trends in markets for such primary commodities as rubber or timber. Even in the primary sector Malaysia's palm oil economy is strong and dynamic. It may be assumed that world demand for vegetable oils and fats is likely to remain at a fairly high level and that Malaysia will continue to reap the reward of its prudent and intelligent policy of diversifying its plantation economy by promoting the cultivation of palm oil vigorously as it has been doing in recent years.

manufacturing sector

In the manufacturing sector the advance of petroleum exploration and exploitation may be expected to spawn a whole series of feeder, auxiliary and processing industries. It is inevitable that Malaysia would seek to refine more of its crude oil or utilize more and more of the refinery products for building up petrochemical industries. It would be equally natural for this country, as its petroleum industry develops, to seek to manufacture the tools and equipment which the complex of petroleum-based industries would need.

The manufacture of rubber products which has already made considerable headway, may also be expected to be promoted further. Here Malaysia's Rubber Research Institute may have an important role to play. It has already made a valuable contribution to the country's rubber economy by the work it has done to combat malpractices in the trading system based on the grading of ribbed, smoked sheet (RSS). It has developed the quality consistent standard Malaysian rubber (SMR) and thereby helped export earnings to improve through higher unit prices for quality-guaranteed higher grade rubber. The institute is continuously engaged in the investigation of local processing potential and the development of compound rubber blends. It would be reasonable to assume that the government would encourage the growth of more and more rubber product industries, possibly on a small-or-medium scale, predominantly under Malaysian, if not Malayan, ownership and management. This approach may also be followed in regard to such industries as could be based on local primary products or raw materials. Indeed a significant part of the next stage in Malaysia's industrial evolution could be the emergence of agro-industries or industries utilizing forestry products.

sound balance of payments

Although Malaysia's rich and productive plantation economy has enabled it to build a sound balance of payments position as well as develop a strong and stable currency. its economic policy-makers have from the beginning realized and emphasized the significant contribution which foreign private capital and investment could make to the industrialization and other socio-economic objectives of the development strategy. It has been clearly seen that a post-colonial economy needs industrial capital as well as entrepreneurial and technical skills for moving into the industrial culture and industrial age of the later twentieth century. Consequently the government's policy for encouraging foreign investments is bold and imaginative.

The core of this policy is the range of liberal fiscal incentives offered from 1956 onwards. This policy was embodied in a highly developed form in the Investment Incentives Act of 1968. Under this Act, firms eligible for "pioneer industries" status are entitled to tax relief from company and development tax for periods between two and five years according to the size of the investmeent. An additional year of tax relief is granted for the fulfilment of each of the following conditions: if the company operates in a development area; if it produces a priority product, i.e. for export or contributing to the development of the economy; and if the company employs a specified proportion of local labour. Companies, not qualifying for pioneer status, may deduct from their taxable income a sum of not less than 25 per cent of capital expenditure incurred on factory, plant and machinery. In addition, a deduction of five per cent is allowed in their case for the fulfilment of each of the special conditions mentioned in respect of pioneer industries. There are also fiscal concessions for exports and for labour-intensive industries. Exemption from import duties is granted for machinery and in some cases for raw materials considered essential to the manufacturing process. Where a company produces solely for export, 100 per cent foreign ownership is permitted. Otherwise, pioneer companies must offer at least 51 per cent of their equity capital for local participation. All other companies must offer at least 50 per cent of their equity capital for local participation but, in their case, at the minimum level no incentives are given.

Under the second plan the Malaysian government expects the private sector to invest some US $ 2,400 million and, given the interest shown by investors and entrepreneurs from countries such as the United States, West Germany, Japan and the UK in the earlier years, it is confident of foreign investments contributing their share to the fulfilment of this goal. Already foreign capital and management, jointly with local partners, is well-established in the petroleum, tyre and other rubber processing, machinery, light engineering, chemical, electronics and textile industries. Although quite a few of these joint ventures, particularly those sponsored by big firms or corporations in the United States or Japan, have been "screw driver" installations in the sense that they are mere assembly plants, the trend has been towards the progressive introduction of manufacturing activities. Incidentally, in contrast to Thailand and Indonesia, Malaysian industrialization has tended to be broadbased and has included not only the production of consumer goods but also a wide range of intermediate manufactures.

joint ventures

Indian firms have shown some interest in setting up joint ventures in Malaysia. As a matter of fact, they are participating in more such enterprises in Malaysia than in any other country in the world. These collaborations cover a variety of industrial products including textiles, steel furniture, glass bottles, precision tools, confectionery, electric motors, pumps and diesel engines, steel foundry, *vanaspati* and soap, sugar and cosmetics and pharmaceuticals. The performance or fortunes of these joint ventures have been varying in quality, whether with regard to the efficient implementation of projects, commissioning of plant and machinery, establishing a presence in markets at home or abroad or earning a reasonable return on investments. These ventures have also had their ups and downs in accordance with the changing circumstances of the domestic economic environment or of the country's export sector in relation to trends in international trade. Almost all of them have had their teething troubles and while some of them have got over them reasonably fast, others have taken more time for their quest for viability. There have naturally been some bright performers on this scene but there are also grey areas.

Broadly speaking, however, it cannot be claimed that these joint ventures as a whole have fulfilled the expectations entertained of them either in India or Malaysia. I spent some of my time in Malaysia trying to figure out why this was so. One of the points made in those banking or financial circles, taking a friendly interest in these ventures, was that there had been poor financial planning and that the Indian collaborators had frequently tended to underestimate both capital costs and requirements of working funds. I was also told that not enough interest or care was always shown in the choice of local partners and that very often weak or indifferent parties were recruited. It was pointed out too that in a number of cases not enough home-work was done and that some firms were found manufacturing and trying to market products for which a demand could not be easily cultivated in the country. At the same time it was admitted that, although some of the managements of these joint ventures had not been of the highest quality, many of them had tried hard, and often successfully, to make up for deficiencies in planning and learn their lessons on the job.

To my very considerable satisfaction I found some of the Indian managements I spoke to quite responsive to these criticisms or complaints. Their case however seems to be that, from the start to the finish, they have had to suffer under serious limitations not all of which have been of their making. For instance, the Indian government's policy has been to limit Indian equity participation to the value of the plant and machinery initially exported from India for the project. This has naturally cribbed the scope the sponsors of these ventures have for sound and flexible financial planning. Again, the Reserve Bank has been so strict and grudging in its allocation of foreign exchange for Indian entrepreneurs visiting Malaysia for the purpose of prospecting, discussions or finalization of projects that it has often been not possible to identify or attract sound and viable local parties.

lack of selectivity

An even more serious difficulty has been created by the lack of selectivity on the part of the concerned ministries of the Indian government when sponsoring or otherwise recommending projects or prospective Indian entrepreneurs. I was told that so many Indian businessmen visiting Kuala Lumpur and claiming to be interested in joint ventures were so obviously incapable of delivering the goods that neither the Malaysian government nor prospective Malaysian collaborators could take them seriously. It was emphasized that this situation had to be compared with other situations in which Japanese and US or other western business teams were able to descend on Kuala Lumpur with whole teams of financial, managerial and technical experts and keep talking until proposals were properly vetted or contracts signed, sealed and delivered.

I also came across the anxious enquiry whether the government of India really attached sufficient importance to the joint venture approach. It was told to me that some senior government officials visiting Kuala Lumpur had given the impression that the government of India really did not set much store by joint ventures since in its view, they have not so far been bringing much benefit to the Indian economy in the form of foreign exchange remittances. There is no reason to suppose that there is misinterpretation or misrepresentation here of the views expressed on behalf of our government, in which case it is high time New Delhi had done some re-thinking. In recent months the concept of joint ventures in oil-exporting countries has become highly fashionable and at least against this new background, the government of India should make up its mind whether it is going to be a party to an aggressive promotion of joint ventures abroad including countries other than those of the Persian Gulf. Once the basic decision is taken and this decision is in favour of the joint venture approach going from strength to strength, it should not be difficult to work out a package of government policies or measures which could create as favourale a climate for existing joint ventures or for the start of new ones.

three desiderata

Three desiderata may at once be stated. The first is that the government of India should take a policy decision in favour of permitting some flexibility to the Indian entrepreneur in initially determining or subsequently expanding his equity base in the joint venture. Secondly, the government should also be prepared to provide facilities to the Indian entrepreneur for raising working funds for the joint venture. This could mean the Indian partner being allowed to offer his assets in India as security for the loans he may raise abroad for the joint venture. Finally, the Reserve Bank should reconcile itself to sanctioning adequate foreign exchange for Indian parties to be able to spend sufficient time abroad scouting for sound local partners or send teams adequate in personnel to discuss projects in depth with foreign governments or parties and finalize deals on the spot.

Although Malaysia is likely to continue to welcome foreign capital and investment for some time to come, it cannot be taken for granted that it will continue to follow an open-door policy indefinitely. On the contrary, some pressure is already building up within that country against indiscriminate encouragement of foreign investments. For instance, during the recent student agitation, cries were raised in opposition to what was alleged to be excessive repatriation of profits by foreign enterprises operating in Malaysia. Again, the depression in the textile industry has served to turn the spotlight on the disadvantage suffered by the smaller Malaysian firms *vis-a-vis* the more resourceful foreign undertakings operating in the country. It would therefore be reasonable to expect that, sooner or later, the Malaysian government may find it desirable or necessary to resort to a higher degree of regulation of foreign investments in accordance with the priorities of the Malaysian economy or its development goals.

foreign capital

It seems to me that, in the future, joint ventures, especially with parties from countries such as India, would be favoured or encouraged in areas where medium scale industries are based on local raw materials especially originating in agriculture or forestry. Malaysia may also be interested in seeking the participation of foreign capital and technology for industries manufacturing intermediate products, which could be exported for further processing by manufacturers in other countries who have the facilities for serving world markets with the finished products. Here Japan is probably in an advantageous position for benefiting from such opportunities.

Another promising growth area for foreign investments in Malaysia would be petroleum-based industries. Here again Japan is likely to take the lead, but the United States and Germany may also show substantial interest. Recently a delegation went from Malaysia to the Persian Gulf countries to explore possibilities of industrial and trade cooperation. It has been reported that, while those countries did not show much interest in participating in joint industrial ventures in Malaysia, since they considered that the Malaysian market was not large enough for major investments, they were more forthcoming about the cultivation of trade ties.

Given the relatively high growth rate of the Malaysian economy in its primary as well as industrial sectors, this country is bound to increase in importance in international trade. Already Malaysia is placed in the intermediate category of developing countries. Once the exploitation of its oil potential gets into full swing, this country is bound to gain further in relative ranking. Meanwhile it is alrady in an enviable position with regard to its infrastructure facilities. Transport and communications are good. Power and water development are making satisfactory progress and the banking structure is expanding and diversifying. In fact one of the more encouraging recent developments in the Malaysian economy is the progress made in the banking sector, which has geared itself to meet not only the more sophisticated needs of the growing industrial sector but also the basic and complex needs of rural credit and small-scale industry financing.

Incidentally, Indian banks in Malaysia which had played a historic role in the development of the plantation economy of that country, have assumed new incarnation for continuing the good work. Because of the Malaysian legal prohibition on the functioning of foreign state-owned banks on Malaysian soil, branches of Indian nationalized banks in Malaysia have incorporated themselves into a joint venture in banking under the nomenclature of United Asian Bank Berhad. This is now truly Malaysian institution wedded to Malaysian needs and it has been able to progress along with other major Malaysian credit institutions. While it is no doubt true that Singapore and Hong Kong occupy special positions in southeast or east Asian economy as international financial centres, it must be said to the credit of the Malaysian banking system that it is fast coming up to scratch in serving the complex requirements of Malaysia's multi-dimensional economy.

significant asset

In the progress of a country natural resources are no doubt important. Sound government policies, again, are clearly a significant asset. Basically, however, what matters is the right orientation of people's attitudes. Malaysia's people, irrespective of differences in racial origin or background, are hard-working and performance-inclined. A good example is the Malaysian Airlines System. It is possible that Thai International has more elegance or that Singapore Airlines more elan, but for the sheer comfort and reassurance of its extremely natural efficiency, Malaysia's airlines is hard to beat. No wonder it is a profit-making business —as Singapore Airlines and Thai International also are — among the few airlines in the rest of the world now paying their way. Malaysia knows what it is about and writes it across the skies for all the world to see.

(*Concluded*)

The latest from the USSR

London

Jossleyn Hennessy

I

Trends in 1973–74

THE SOVIET economy managed to get over the 1972 growth crisis in a remarkably short time. The targets for 1973, drawn up rather cautiously, were exceeded in all important sectors; the expansion rate of the economy as a whole, measured by the increase in net material product, nearly doubled on the previous year, increasing from four to seven per cent.

The favourable trend in 1973 was to some extent determined by the record performance of agriculture, helped by good weather: the grain harvest jumped from 168 million tons to 223 million tons, thanks to a considerable increase in yields (1972: 14.0 dz. per hectare; 1973: 17.6 dz per hectare, 1 dz-100 kilograms). Other crops, like potatoes (+38 per cent) and vegetables (+23 per cent), also produced higher yields than ever before. But output in stock farming increased only modestly since feedstuffs were scarce before the new harvest.

Productivity in other sectors also rose faster than in 1972, largely thanks to a broadly successful investment policy.

Investment was concentrated more than previously on the completion of plant already started, so that the increase in new capacity (from replacement and new investment) was twice (+8 per cent) that of gross investment in fixed assets; in earlier years it was usually the other way round. As laid down in the plan, the so-called consumption fund (private and public consumption) expanded faster (+8 percent) than the overall "accumulation" throughout the economy (net investment in fixed assets, investment in stocks, government reserves), which increased by about six per cent.

Foreign trade turnover (export plus imports) rose twice as fast as in 1972, though higher prices were partly responsible. Prices of exports, to the west in particular, have risen considerably. In nominal terms the USSR enjoyed an export surplus, against a deficit in 1972. But after eliminating price increases over 1972, the deficit persisted in 1973.

The 1974 economic plan was intended to bring the USSR back into the growth path originally envisgaed for the five-year planning period 1971-75. On the basis of the sparse figures availale for the first half at the time of writing, it looks as though this target may have been reached. Gross output and productivity in manufacturing increased faster than planned. The food industry achieved the fastest growth in output (+10 per cent) of recent years (plan 1974: +7.6 per cent), so that output of consumer goods probably rose faster than that of producer goods, as planned. Farmers expected a good grain harvest, somewhere between the plan target of 206.5 million tons and the 1973 record.

On the expenditure side, once again more new investment financed from the government fund was started (+9 per cent) than finished (+4 per cent). In the first half of 1973 this ratio was 6 to 13 per cent. The retail trade target was not reached. As at the same time private incomes expanded strongly, private savings increased by a third.

In the eighteen months up to September last, the economy progressed in a way that even by world standards is remarkable. However, economic growth in the past three years has fallen behind the five-year plan target. Even at this stage it seems certain that this backlog cannot be caught up with by the end of 1975. But economic progress in the USSR should not be measured just by this yardstick. Soviet planners are no more able than any others to foresee economic progress five years in advance. Rather, the five-year plan is a guiding framework for structural policy that forms the basis for short-term planning and which in turn is affected by such planning. Medium-term economic planning must react to unexpected short-term developments, particularly if the economic costs (foregoing growth alternatives) of keeping to the original structural target become too high. Soviet economic policy reacted to 1971-72 production problems by cutting back on the overall economic growth rate planned for 1971-75: in addition, the plan targets for foreign trade, originally fixed cautiously, were raised by a large margin.

II

Insufficienct "Technical Progress"

"Technical progress", i.e., the third factor of production other than capital and labour, was to exert a decisive influence on growth in 1971-75, but in fact this most important target has not been reached; the rise in productivity lagged behind the five-year plan. This was mainly because:

I. Investment planning continues to suffer from the defects criticised for years (too many projects tackled at once, lack of coordination with capacities in the building industry, failure to keep to dead lines and costings). More attention is given to expanding production plant than to modernising existing assets (replacement of obsolete plant).

II. Government employment policy has not succeeded in steering the use of labour rationally, although the continuing shortage of labour was making this increasingly urgent. Many plants continue to hoard excessive reserves of labour and to find labour for new plants and new industrial areas is difficult. Nor has the plan to achieve a higher capacity utilisation by increasing the number of shifts been put into practice.

product quality

III. The speed at which new products and/or new production methods are introduced remains unsatisfactory. This trend is inherent in any non-market economy and reflects the generally inadequate efficiency of a planned economy. At the moment the USSR government committee for the supply of materials administers centrally more than 12,000 products! Most plants not only have their input determined centrally but sales of their output as well. Thus producers have no incentive to look for ways and means to improve product quality and to introduce technical innovations.

IV. Productivity increases are also limited by bottlenecks in the economic structure resulting from the one-sided emphasis on heavy industry in the past.

The Soviet leaders try to step up productivity by falling back on appeals to the Soviet population's will to work. A resolution by the Communist Party's central committee, the Council of Ministers, the unions and the Komosol launched the "socialist competition for the early fulfilment of the 1974 plan" and introduced the order of "activist of the 9th five-year planning period". There are constant appeals to the worker's sense of responsility, socialist enterprise, efficiency, initiative and discipline. For example, as Mr Brezhnev has said: "All this concerns the moral, the spiritual sphere of social life and cannot be captured in a plan or in the statistics". This propaganda campaign reminds one of Harold Wilson's desperate appeals to British workers to observe the so-called Social Contract, but the big difference is that Soviet workers have not the liberty to strike.

III

Rising Living Standards

An increase in the population's standard of living is the second major task for the current five-year plan. The phased rise in the minimum wage to 70 roubles a month, gradually introduced—region-by-region,—was to have been completed throughout the USSR in 1974. The repayment of the compulsory government loan for workers and salaried employees, dating from 1947 to 1956, was also due to start at the end of 1974. Services to the population are again expectd to rise faster (+6 per cent).

Private living standards have risen remarkably since 1970. At the same time clear signs of disequilibrium between supply and demand have emerged: saturation and overproduction in some markets, frequent or permanent bottlenecks and supply deficiencies in others. This shows up in the reports on growing stocks of unsaleable goods (textiles, shoes), in the stagnation or fall in turnover of certain products (washing machines, cameras) and queues which are still part of daily life (potatoes, vegetables, fruit) and the existence of long waiting lists (cars). The large increases in savings too, which as a rule grow much faster than retail trade turnover, largely arise because people do not find enough, or what they want, to buy with their surplus cash.

With constantly rising incomes, an increasing supply of goods and services and slowly rising free consumer choice, it is becoming increasingly urgent for the Soviet planners to match the supply of consumer goods to consumer demand. This causes headaches to officials whose planning experience has been gained in planning production by obedient industrialists and large-scale agriculturalists and who have hitherto been able to ignore or despise the interests, needs and the whims (why not?) of mere consumers.

IV

Trends in Foreign Trade

The USSR's foreign trade turnover (exports plus imports) in 1973 rose to 31,300 million transfer roubles. Its growth rate (+24 per cent) was by far the highest of the past 14 years. In contrast to 1972, the increase was mainly due to the expansion of exports so that the USSR notched up an export surplus of about TRb 300 million compared with a deficit of TRb 1,600 million in 1971. This trend continued in 1974. According to the available statistics from the partner countries in east and and west — which in 1972 covered more than half of Soviet trade — Soviet exports in the first half of the year seem to have increased by 40 per cent while imports went up by only eight per cent. On this showing the trade surplus in 1974 might rise to TRb 1,400,000,000, on an expected turnover of TRb 1,380,000,000.

Some notable changes have taken place in the country distribution of Soviet foreign trade. With the OECD countries it increased well above average, particularly with the USA — because of the large rise in grain imports and with West Germany. However, in 1974 the USA were expected to lose their dominant position among the USSR's western trading partners, because US deliveries to the USSR were falling (first quarters: — 48 per cent). By contrast, West German exports to the USSR in the first half increased by 44 per cent, imports, from the USSR by as much as 100 per cent.

Soviet grain imports in 1973, at 23.9 million tons worth TRb 1,110,000,000, reached record level (imports in 1966-70 averaged 2.8 million tons; 1971: 3.3 million tons; 1972: 15.5 million tons). Main suppliers were the USA (15-4 million tons), Canada (4.2), France (1.4) and Australia (0.8). The USSR again exported grain in 1973 to fulfil its obligations to Czechoslovakia (in mil. tonnes) (1.1), the GDR (1.0), Poland (1.0) and Cuba (0.5).

drop in food imports

Thanks to the good harvests of 1973 and 1974, the USSR was able to cancel a large part of its order to the USA, so that grain imports in 1974 were expected to drop drastically and the trade with the west benefit accordingly.

Soviet foreign trade statistics show that the volume of both exports and imports in 1973 rose by 14 per cent. This means that export prices have risen by nine per cent and import prices by two per cent. Price increases in the USSR's Comecon trade were small (exports: +2 per cent; imports: +1 per cent), since the bulk of intra-block trade is done at contract prices usualy constant for five years. By contrast, prices of exports to the west jumped 21 per cent, while prices of imports from the west were up only three per cent. As a result, the terms of trade with the west improved by 17 per cent: the USSR was thus able to reduce its trade deficit with the western industrial countries by nearly TRb 1,150 million although the volume of imports from the west (+29 per cent) increased faster than that of exports to the west (+25 per cent). Prices of the principal Soviet goods exported to the west — in 1973 fuels, ores and metals made up more than a third of total exports — continued to rise in 1974 so that the balance of trade and payments with OECD countries will once again improve.

Oil prices are a good example of the variations in price changes between individual segments of the market: export prices (average values) for deliveries of oil and oil products to western industrial countries were raised by 47 per cent; the nine EEC countries on average had to pay as much as 130 per cent more. The variations in the increases depend on the time of delivery (before or after October, 1973). In trade with the Comecon countries the price of Soviet oil has gone up by only four per cent, as laid down in the price agreements for 1971-75. However, the other Comecon countries are likely to have to pay higher prices for Soviet oil in the 1976-80 plan, if not before.

rise in foreign trade

The USSR's involvement in foreign trade increased further in 1973, the export ratio (exports as a percentage of GNP) rose to an estimated seven per cent (1972: 6 per cent). On top of this, in recent times as much as 15 per cent of Soviet manufacturing's spending on machinery and equipment was on imports. These figures point to the increasing importance of foreign trade in the USSR's economic growth. It is increasingly being advocated in the USSR that foreign trade should not be considered primarily as a means for meeting international obligations. It is argued that foreign trade relations have been more than a secondary factor in economic growth for some time now.

Demands are being made for an all-out effort towards more export-oriented industrialisation. This would require the development of a competitive export industry and a reform of the foreign trade system, and also means that the USSR would become more dependent on imports. The progress of the next five-year plan 1976-80 will show whether, and to what extent, the Soviet government has decided to instruct its planners to learn the techniques of competitive supply end demand in internationally traded goods. They might do worse than have copy of the latest edition of Benham and Paish's *Introduction To Economics*, published by Isaac Pitman, London, translated into Russian for them. They will find the six chapters on the theory and practice of international trade difficult for planners to grasp at first, but wholly enthralling once they get the hang of it, and many of the earlier chapters will show them how better to meet consumer demand on their domestic markets.

Sources and acknowledgements: The foregoing summarises a report in the latest *Economic Bulletin* published by the Deutsches Institut fur Wirtschaftsforschung (5 Koeingen Luise Str., Berlin 33), but the DIW is not responsible for the emphasis of my summary, still less for my interspersed comments based on a variety of sources.

BOOKS BRIEFLY

Reviewed by
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THE Employers' Federation of India has been bringing out very informative monographs on various aspects of the problem of industrial development in India. The monograph, *Survey of Industrial Housing*, which happens to be the eighteenth one, deals with the very pressing problem of industrial housing in the country.

Among the problems created by modern industrialisation, the problem of housing for industrial workers is of great social and economic significance. Indeed it may be said that the problem has been at the root of much of the discontent and social unrest that has accompanied industrial development in India, especially after the second World War.

The importance of housing as a factor for improving and maintaining the efficiency of workers by way of psychological satisfaction from their work cannot be overstressed-

state assistance

It is gratifying that in general employers in India have shown both a keen awareness and initiative in tackling the problem of industrial housing almost since the beginning of industrialisation in the country. It may be noted that till about the end of the second World War, the industry tried to tackle the problem with its own resources. It is only after the war that its efforts received a boost on account of the state assistance under the various housing schemes. It may however be said that on the whole the efforts of the Indian employers in the sphere of industrial housing have been purely, voluntary and their efforts have continued to grow even after the national policy pronouncements, the judicial awards of the Supreme Court and the ILO recommendations on workers housing positively affairmed that employers are not responsible for the provision of housing for their workers. All the above pronouncements have recognised that the giganatic problem of industrial workers' housing is a crucial part of a wider problem of the general shortage of housing all over the country and that the effective solution of the problem can be found only by tackling the problem by the public authorities as an integral part of the overall programme of the economic development of the country.

housing colonies

Despite this, the monograph shows that the employers in India have sought to improve housing facilities for their workers directly by constructing houses with their own funds or with the assistance of the state under the subsidised industrial housing scheme and indirectly by providing housing assistance, concessional loans and assistance in kind to enable employees to build their own houses. Generally employers in mofussil areas have sought to provide housing to a large proportion of their employees by constructing tenements or assisting other local agencies to build houses for them. It is a well-known fact that some large concerns such as TELCO and Kirloskars have set up even huge housing colonies or townships well equipped with modern facilities. Unfortunately in recent years the scarcity of suitable lands and their high prices in urban centres have severely restricted the ability of industries especially in urban areas to construct tenements for their workers on a requisite scale. The consequence has been that at present in most cases the efforts of employers at most of the urban centres are getting confined mainly to provision of financial assistance to employees in the form of rent allowance or housing allowance or subsidy wherever possible.

unremunerative investment

It is found that several managements have taken assistance under the government housing schemes to build tenements for workers; but the usefulness of such government assistanee programmes has been on the whole extremely limited as such assistance is not adequate to meet the cost of land and other construction and also because of the scarcity of land and other construction materials, high incidence of fiscal levies. regulation of tenancies under the rent control acts and the difficulties experienced by employers in providing the necessary guarantees. It is not surprising that due to the above and other reasons, the employers find investment in housing, which yields by way of return only about two per cent, highly unremunerative. And yet it must be admitted that employers have played a notable role in providing housing facilities to their workers as a welfare measure. It is misleading to judge the employers' contribution in this field only in terms of the proportion of employees benefitting from company housing because all the employees are not houseless and as a very large proportion of them resides in their own or generally rented houses built by private landlords or public authorities.

It should be recognised that in the final analysis the progress of industrial housing is inextricably linked with the growth and expansion of industries, supply of construction materials. extent of resources allocated by public authorities and above all the general improvement in the earnings of the working class. It may therefore be rightly said that the progress of industrial housing is a part of the general problem of economic development of the country. This implies that the problem of industrial housing cannot be successfully tackled in isolation.

The problem of industrial housing and in fact of housing in general has become critical not only in urban but also in most of the mofusil areas in the country. And, as in several other spheres, here also the government's approach from the beginning has been characterised by lack of awareness of the dimensions of the problem, belated and half-hearted efforts to tackle the problem when forced by circumstances and shifting the responsibility on to some one else in the face of threatened crisis.

This monograph based partly on published material and partly on *ad hoc* survey will be found extremely useful in at least providing an outline of the subject of industrial housing as it stands at present.

District Planning

Our attempts at planned economic development through five-year plans since 1951 have brought certain deficiencies in our strategies of planning and in the planning process to the fore. It has now been realised that economic growth does not diffuse automatically to all the regions which means that the strategy of economic planning will have to tackle the prolems of backward regions and districts on a special footing. If micro level planning is not done at the local level, it is now realised that not only such regions and districts will fail to catch up with the rest of the country but ultimately may prove a drag on the economic progress of the country. It is realised that unless planning is done from below, the whole planning process may be vitiated and planning exercise may get reduced to a ritual of target fixing by a bureaucracy divorced from the people. The new strategy on which there seems to be agreement in India is that there should be village plans, block plans and district plans and these plans should as far as possible be dovetailed in the state and national plans after properly integrating them. It is also agreed that such plans should be based on the available local resources and on the active consent and participation of the people concerned. It is only then that the potentialities of various resources available at the local level can be fully harnessed. It should be clear that in labour surplus, capital scarce, predominantly agricultural country, the growth strategy must aim at fuller utilisation of the surplus manpower in agriculture and allied activities and in small and household industries. Though certain basic industries should be developed simultaneously in the large sector, it should be realised that by themselves such industries can neither absorb the rising labour force nor correct regional imbalances. Therefore more intensive utilisation of the labour force within the agricultural sector and in allied activities together with growth of rural industries should form the strategy in the initial stages of development in India.

This is the stratagey which Dr. Kripa Shankar has insisted upon in *General Potentialities of Sultanpur — A Study in District Planning* as a result of his absorbing study of Sultanpur.

Sultanpur is one of the relatively backward districts of eastern Uttar Pradesh. In that district about 84 per cent of the population is dependent on agriculture, agricultural labourers forming as high as 32 per cent of the working force as against 19 per cent for the state of Uttar Pradesh as a whole. The average size of an agricultural holding is about 0.77 hectares and the net cultivated land per capita about 0.18 hectares. The net irrigated area is only about one-third of the net area sown.

In Sultanpur district during 1964-65 to 1971-72 when new agricultural technology was generally introduced, wheat production alone registered a steady increase from 47,819 tonnes in 1964-65 to 80,797 tonnes in 1971-72, rice showing moderate increase, while the production of other cereals either declined or stagnated. We also notice that production of sugar declined, so did that of sannhemp, while that of oilseeds stagnated. The consequence has been that the foodgrains production has been rising only at an annual rate of three per cent. This is a very unsatisfactory position considering that 80 per cent of the caloric intake is accounted for by foodgrains

irrigation facilities

The author has emphasised that no programme of agricultural rejuvenation can succeed unless water supply is assured. He therefore has emphasised that the state should undertake in the district the installation of more tube-wells and construction of canals and the cultivators should be encouraged to have their own sources of irrigation because the new agricultural technology requires timely and frequent watering of fields. The commercial banks should be made to finance agricultural programmes in a big way, both directly and indirectly. The author has specially empasised that the small farmer who has remained outside the vortex of new agricultural technology should be given a subsidy of at least 50 per cent for construction and boring of masonary wells. Also while all efforts are being made to tap underground water sources, equal emphasis should be laid on exploiting surface water resources as this step will not only protect the diistrict from the ravages of floods but will serve as a great boon during drought years.

The author has emphasised the role of power in the growth process. The per capita consumption of electricity in Sultanpur district happens to be only 2 kwt. as against 58 kwt in the state and 90 kwt in India. Since power generation cannot be planned district-wise, the author has recommeuded that diesel sets should be provided to small cultivators at subsidised rates. The Rural Electrification and Agricultural Finance Corporation should play a more effective role in this field.

cropping pattern

There is need to modify suitably the cropping pattern. Inferior cereals have been occupying a considerably larger proportion of the area and the author has recommended that some commercial crops such as soybean, sunflower, groundnut and cotton should be popularised as they are sure to bring more profit to cultivators. Also more area in the district can be brought under sugarcane, if a suger mill is started in the district.

In the district, on an average, a village has about eight hectares of cultivable waste and 10 hectares of barren and uncultivable land. The author has recommended that since soil conservation measures are particularly required on either side of the river Gomti, a tree plantation programme should be undertaken in a vigorous way, both as a means of soil conservation and for fuel supply.

Animal husbandry has a very important place in the economy of the district, especially from the point of view of small farmers with less than 2.5 hectares of land. Artificial insemination, veternary facilities and more liberal loans to agriculturists and cooperative dairy societies are some of measures advocated to foster dairy development in the district. Also there is great scope for poultry farming as also pig, goat and sheep rearing which should be encouraged through improved breeding and liberal finance, wherever necessary. Similarly a village pond development scheme should be launched and funds be provided for the purpose. Fisheries can easily be developed in such ponds and tanks.

As regards, industry, the author has

ommended the establishment of at ast two sugar mills and two cotton spinng mills as also the revival of handloom dustry to bring about diversification of e village economy. A rural industries orporation should be established and it hould encourage local entrepreneurs ith financial assistance.

The government should also take speial steps to develop transport facilities hich are at present meagre. The governnent should also provide more funcional education. The medical facilities n the district are awfully lacking there eing only two hospitals and 33 hospital eds per lakh of population. The author's uggestion in this regard is worth consileration by all the states. He rightly olds the view that the present system of medical education is urban-oriented and it is futile to expect that qualified private medical practitioners will settle in villages. And therefore he wants that an unconventional system of providing medical facilities to the rural poor must be evolved. India should evolve a system of "bare footed doctors" as the Chinese have successfully done.

Since the weaker section of the rural population cannot be shifted to urban areas or even to industries in the near future, the author has recommended a ceiling of five hectares of land holdings and redistribution of land among the weaker sections in the district. He wants that the resources of newly created Rural Development Fund should be particularly utilised to finance productive schemes of the weaker sections such as the development of agriculture, animal husbandry, poultry, piggery, fishiaries, household industries and construction activities. Nationalised banks should come forward in a big way to assist this section of the village community.

There is no doubt that Dr Kripa Shankar's absorbing study has very important implications for the future strategy of planning in India which still seems to be based on the old strategy adopted since 1956. In order that planning may become meaningful for the people, they must be intimately involved in the planning process and plan implementation and above all in sharing the benefits of planned development. The author has shown the way, though certainly not for the first time, how planning process can be made "a lively affair for the people."

Marginal Farmers

It is now generally agreed that the economic position of two important sections of the rural poor, viz, marginal farmers and landless agricultural labourers has positively deteriorated vis-a-vis medium and large farmers since the commencement of planning in India. This has naturally resulted in widening income disparities in the rural sector. In order to counteract these trends in the rural areas, the government has initiated schemes such as the Marginal Farmers and Agricutural Labourers Development Programme (MFAL) aimed at improving the employment opportunities and levels of income by providing the two classes with necessary credit for making a more intensive use of their land and also to undertake subsidiary economic activities and creating employment opportunities through public works within the framework of local planning.

Considering the importance of the subject, Shri Ram Centre for Industrial Relations and Human Resources set out to study the impact of assistance received by the beneficiaries under the Marginal Farmers and Agricultural Labourers Development (MFAL) Programme on the income, employment, expenditure pattern and debt position of the poorer rural sections of the people in Mathura district in Uttar Pradesh. *Development of Marginal Formers and Agricultural Labourers* contains the findings and suggestions based on the study.

infrastructure facility

It is found that the MFAL Development Programme was established with a view to building up suitable infrastructure for providing adequate facilities to marginal farmers and landless agricultural labourers who are not in a position to offer security in terms of tangible assets and cannot get required credit from cooperative societies which happen to be dominated by big farmers belonging to higher castes. MFAL Development Programme has been designed to extend credit facilities exclusively to marginal farmers and landless agricultural labourers to make them economically viable and to improve their socio-economic position.

It was found that the ownership of not more than 2.5 acres as the criterion for eligibility for participation in MFAL assistance programme has undoubtedly reduced the possibility of bigger farmers monopolising the assistance. But it was found that in Mathura district nearly 42 per cent of cultivators clutivated more than 2.5 acres of land which means the real effectiveness of the MFAL scheme was restricted to only 58 per cent of the rural households cultivating 2.5 acres or less.

It was found that nearly one-third of non-beneficiary marginal farmers were not even aware of the existence of the MFAL agency. This is a serious reflection on the effectiveness of the cxtension activities of the MFAL. Further, a large number of beneficiaries viewed the attitude of village level workers and veterinary doctors as non-cooperative or indifferent. Such a situation highlights the need for improving the existing situation in this field. It is however gratifying that a majority of beneficiaries reported a net increase in their household income due to MFAL assistance, although the increase was not found to be commensurate with their expectations. The MFAL assistaece has also brought about, according to this study, significant changes in the occupational structure of beneficiary households.

significant improvement

The additional income generated through MFAL assistance has positively affected the level and pattern of expenditure of beneficiaries. Their per household and per capita total as well as consumer expenditures are found to be significantly higher as compared with pre-assistance period. The figures of per household and per capita expenditure on food and non-food items incurred by beneficiary marginal farmers are significantly higher than those of non-beneficiary marginal farmers. All in all the incidence of poverty is observed to be much less in the case of beneficiaries than non-beneficiary marginal farmers.

While MFAL agency has brought about significant improvement in the living standards of beneficiary marginal farmers, the auther however feels that "the effectiveness of the scheme can be further increased if necessary precautionary measures are taken at the stages of finalising the programme contents, their administration and implementation." The author has made the following suggestion for improving the effectiveness of the MFAL scheme.

The first suggestion that has been made by the author is that more care should be taken in selecting the would-be beneficiaries. This is because while selecting marginal farmars (i.e. those with 2.5 acres or less land) whether such farmers cultivated in addition leased land or not was not taken into account. The author wants that since the criterion of 2.5 acres or less is satisfactory, the above type of cultivators should be omitted from consideration of help under MFAL programme.

Another very important recommendation is that since the MFAL scheme appears to have omitted from consideration landless agricultural labourers on the ground that financial institutions including commercial banks would not come forward to lend them on the ground that they cannot offer adequate and necessary type of security, there is immediate need to revise the traditional method of giving credit to only those who possess tangible assets as security. This is necessary in the framework of the special scheme designed for improving the economic condition of the rural weak.

Further, the Mathura experience has shown that more care is necessary before finalisation of programme contents in other areas and finalisation be done only after ascertaining the potentials of various prorgrammes from prospective beneficiaries. This will require carefully planned survey of problems and requirements of marginal farmers and agricultural labourers. If possible, voluntary agencies and independent research organisations might be associated with such feasibility surveys. And also, once the various programmes are brought under the MFAL agency, effective extension programme might have to be undertaken to educate the would-be beneficiaries about the assistance available to them in order to motivate them to active participation in the scheme.

The author has insisted on adequacy and competence of the implementation staff of special schemes such as MFAL agency. The existing staff has proved both inadequate and inefficient. Also the staff should be adequately compensated. A very important suggestion made by the author is that periodic meetings of the beneficiaries should be held for educating other prospective beneficiaries regarding development schemes and for plugging up loopholes in the administration.

marginal farmers

The author has further recommended that there will have to be change in the attitude of loaning institutions such as district central cooperative banks towards the marginal farmers who at present are out of their consideration for all practical purposes. In fact marginal farmers should be given some representation on boards of cooperative societies and banks as otherwise it is felt that such loaning bodies may not fully conform with the needs of either the MFAL scheme of the beneficiaries.

Also, since it is found that nationalised commercial banks do not fully cooperate in the schemes drawn up to help marginal farmers and landless agricultural labourers in spite of the Reserve Bank instructions, serious note should be taken of this failure and attempts should be made to see that such instructions are adhered to. This is necessary for the reason that non-availability of required finance should not hold up the implementation of this absolutely essential programme.

While repeated pronouncements are made to help the marginal farmers and landless agricultural labourers, not much seems to have been done so far to effectively help this unfortunate class of rural people. This experiment and the experience gained in its implementation should go a long way in helping the concerned authorities in suitably drawing up plans and in effectively implementing them. This study has made an attempt to show the path. The study also again brings to the fore the importance of micro studies in various fields including agriculture.

Administration of Economy

Two contrasting pictures of the Indian economic development are often presented before us. On the one hand we are told that in India foundation of heavy and basic industries has been firmly laid; that agricultural production has been doubled within twenty-five years; that India has made rapid progress in providing infrastructural facilities to her industries and agriculture and thousands of villages are electrified and have been provided with educational and medical facilities. The consequence of all this has been that life expectancy in India has gone up considerably and with a certain amount of good luck (in regard to monsoon), the country could soon take off and be on the road to self generating rapid economic progress.

But then there is the other side to the picture painted by many critics of the government. According to them, India of the present day is in a deep quagmire; socialistic slogans have lost their face-value. In endeavouring to eliminate poverty, our representatives have been eliminating the poor and the proletariat. Maladministration of the country's economy by politicians and bureaucrats has resulted in rank corruption and nepotism in public administration. A vast majority of Indian people who have been living a life of abject economic subjugation fail to find any difference between their life at present and life in pre-independence days. In free democratic socialist India, the only guaranteed freedom which they seem to enjoy at present is the "freedom to die of starvation." "They have to go in quest of cow-dung and churn out therefrom a few grains of wheat or gram, wash them and eat the to appease their hunger." This is Indi of the 1970s.

Of the two, which represents the tr picture of India of the present day?

The author of *Political Administratio of Indian Economy* seems to sha the second view very ardently an writes about the government's failu in the economic and political fields wit gusto and venom which often carries hi beyond the bounds of literary decency.

The author is convinced that the re economic freedom has not yet dawne for millions of Indians. Political, mor and economic bankruptcy have hel sway over the country. "Today our natio consists, by and large, of people witho an iota of sense of sincerity, fidelity o loyalty to the motherland". Our leader have been teaching gospels of austerit and patriotism without practising thes gospels themselves. Hypocritical polit cians have been ruining the country f the last two decades, instead of becomin the walking symbols of the preachings the Mahatma whose teachings they swea by. Our presidents and ministers hav been living in feudal glory that would pu our erstwhile British masters into shame.

The author wants that all the electe officials—from the president downward —live a simple life and that all declar their personal assets. They must all liv a life that is in conformity with the pover ty of the nation. All corruption charge against ministers and officials must b impartially gone into and the guilty shoul be severely punished. All waste of publi funds must be stopped.

huge investment

The author is very critical of the mis management of the public sector in Indi which has involved huge investment o scarce capital resources in the country He has made an attempt to explain th well-known causes of inefficiency an failure of many of the public sector enterprises in India and has suggested th now well-known remedial measures.

There is no doubt that the quality o human material is the most importan among the factors influencing the growt and development of a nation. From thi it automatically follows that the majo cause of the failure of India in variou fields has been the failure of the huma element. This means in a country wher tradition of blind following is well entrenched, it is the failure of the Congres leadership that has brought India near catastrophe. The Indian planners appea have lost sight of the moral dimension f economic planning which therefore got egenerated into planning for the governg elite in India with disastrous conseuences for the vast masses who have ome to be completely bypassed.

While it is not possible to find fault r disagree with the main thesis which he author wants to present in this book, he manner of presentation leaves much o be desired. What one gets in abundance n this book is the angry outburst of noral wrath long suppressed than cold nd objective economic and political nalysis of the deteriorating Indian scene. t is not enough if one's conclusions are ight; one must also prove logically that hey are so, if the conclusions are to arry weight.

Monetary Management

India has accepted growth, stability nd distributional justice as the goals of er economic policy. Economic growth ssentially depends upon factor such as he country's resource endowments, the fficiency with which people make use of hese resources and capital formation. R. J. Mody has made an attempt n *New Dimensions of Monetary Management* to prove that economic olicies in India which have since 1956 ome to rely heavily upon deficit financng for her development are not conducive o rising rates of saving and capital fornation in the country. Also the author's contention is that forced saving programme which is implicit in deficit financing cannot be a success because of the absence of appropriate conditions necessary for such a policy. Once people anticipate inflation and when they do not have 'money illusion', forced saving programme will result in hyper-inflation. The author is also apprehensive that inflationary policies, if pursued over a long period, may gradually destroy financial institutions and markets which provide efficient mechanism for generation and utilisation of investible resources. The author's main contention is that "a high rate of economic growth can be attained only in a stable monetary framework."

India has also accepted the objective of distributional justice as one of the main objectives. Economic justice implies reduction in income inequalities and eradication of poverty. In order to realise this objective also price stability is absolutely essential because inflation tends to increase income disparities. Inflation may be said to be the most regressive form of taxation. Inflation thus effectively paralyses the anti-poverty measures. The author therefore has come to the conclusion that economic stabilisation should be the main objective of monetary management in the country.

The author has made an attempt in this book to analyse monetary policy and management in India in the context of the objective of price stability.

Since there appears to be a high correlation between changes in money supply and changes in the price level in India, according to the author, the monetary goal of the Reserve Bank of India should be proper management of money supply. The Reserve Bank can carry out this function quite satisfactorily, if it is not committed to finance government's deficits by monetary expansion and to help government in its borrowing programme at low interest cost.

In order to regulate money supply, the Reserve Bank will have to regulate its credit to government and to the banking system. The author's analysis of the factors influencing money supply indicates that Reserve Bank's credit to government is the predominant factor responsible for monetary expansion in India since 1956. If the Reserve Bank is committed in advance to finance government's deficit, such a policy is bound to paralyse its stabilisation efforts. This means an effective stabilisation policy requires fiscal discipline and government's cooperation. Even assuming that it is extremely difficult to readjust governments spending each year according to changing economic conditions, it still needs to be emphasised that such adjustments are absolutely necessary for economic stabilisation.

market rate

The author is also of the opinion that another important pre-condition of monetary stability is that "the market interest rate should correspond to the natural rate." This means interest rates should be realistic rather than being pegged down to lower levels. The author is convinced that pegging down interest rates at low levels will endanger monetary stability. This will also require government's cooperation. An appropriate interest rate policy will make government cost-conscious and investment decisions will be rationalised. Interest rates pegged down to lower levels will result in overinvestment and misallocation of economy's resources. Also a higher rate of interest will encourage a higher rate of voluntary saving which is desirable for economic development of the country.

Regulation of bank credit to meet the seasonal fluctuation in demand for it appears to have become the primary aim of the monetary policy of the Reserve Bank in recent years. But the author has warned that in the final analysis "credit management should actually be an integral part of monetary management." The monetary management should aim at management of money supply with the primary goal of reasonable price stability in view. Naturally this will necessitate proper coordination of monetary policy and fiscal policy between the Reserve Bank and the governmnet.

In this book the author has analysed India's monetary, policy within the framework of the Keynesian model. The author has very ably brought out the dilemma which the Reserve Bank of India is facing at present—achieving price stabilisation and meeting government's budgetary deficits and helping government in its borrowing programme. This excellent book is more than a mere survey of the monetary policy of the Reserve Bank of of India—it is in fact an exercise in the analysis of monetary economics. The book should be of great use to postgraduate students of the Indian universities.

Life Insurance

The structure of life insurance in India underwent a redical change in 1956 when it was nationalised with the purpose of "safeguarding the interests of the policy holders and mobilising people's savings for the implementation of Plan Programme." More than a decade has now passed and LIC appears to have taken deep roots. A thorough enquiry into the working and especially into the investment policy of the LIC would be timely. *Life Insurance Finance In India* has been written with this end in view.

The LIC is a very fertile field for critical enquiry and analysis which should highlight, (a) the nature and volume of people's savings through life insurance and the possibility of increasing them through reduction in the cost of insurance and expansion of life insurance business, (b) the contribution of life insurance finance to the growth of the Indian economy, (c) the considerations governing proper investment of life insurance funds, and (d) the accumulation of funds and their proper investment. It is the exploration of the above aspects of life insurance in India which the author has in view while writing this book.

It would be extremely instructive to know the findings of the author.

According to the author, life insurance has a vast potential in India, both in urban as well as in rural areas. Premiums have to be reduced to bring this social security within the easy reach of the poorer sections of the rural population and there is definitely enough scope for this. Reduced premium and effective, efficient and devoted sales force appear to be the need of the hour.

Further, the LIC should economise its expenditure and bring down cost ratio by considerable expansion of business and spread of overheads over a larger volume of business. According to the author, reorganisation, rationalisation and mechanisation should be the watchwords for the future. The Morarka Committee on the LIC expenses had also come to the conclusion that there is considerable scope for economy and efficiency. The author also has endorsed the finding of the Morarka Committee in respect of organisation of the LIC into five or more autonomous parallel bodies, and the recommendation that any reorganisation should be effected within the existing framework, as unitary structure would certainly be more economical.

flexibility robbed

According to the author the LIC needs freedom from capativity in framing its investment policy. The government's pressure on the LIC to invest in low-yielding securities in addition to statutory requirements has robbed the LIC of the flexibility so necessary in investment matters.

The author has also recommended that the LIC should make direct investment in rural areas in farm mortgages and others in a big way in order to make direct impact on the rural population. Similarly the LIC should provide finance to small business, which at psesent is completely neglected. Further, the LIC according to the author, should take greater interest in providing amenities such as housing in both urban and rural areas.

The author has made another very important recommendation. Policyholders who have a stake in the working of the LIC should have some control over the working of the LIC. He has suggested the formation of a central policyholders' council for this purpose.

It is unfortunate that the attitude of the LIC to research has been deplorable. The author states that the LIC authorities needed a lot of persuation to give information even on minor points. Their attitude towards research does not seem to be helpful. It is also unfortunate that the LIC has as yet no research and statistics department of its own. It is high time the LIC took research in its working a little more seriously and not only establish its own research department but also render the necessary assistance to research students in the field of insurance.

As an institution mobilising monetary resources in the community, the LIC occupies very prominent place among the financial institutions. It can play significent role in influencing the investment pattern in the country. It is therefore unfortunate that various aspects of the working of the LIC do not appear to have received very careful attention.

Since the funds of the LIC are being regularly contributed by millions of persons in the country, it is rather unfortunate that the policyholders know so little about the working of the LIC. Mr O.P. Bajpai has rendered a signal service by laying before the general readers the manner in which the LIC is working and should in fact work.

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6 flights to JAPAN

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AIR-INDIA

A gas connection is made

An industry advances

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Gujarat Steel Tubes contributes to the progress of industrial India with steel tubes and pipes in dia. 15 mm to 100 mm, black and galvanized, threaded and socketed, using TUFFWELD—a High Frequency Induction Welding process. In just nine years, Gujarat Steel Tubes has made its mark in India, as one of the major suppliers to Government, and abroad—as one of the largest exporters of steel pipes.

Pipelines to prosperity

GST

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Telephone: 52012-13-14

TRADE WINDS

creased Cane Prices

HE AGRICULTURAL Prices ommission (APC) has re- ommended a 12 per cent rise the statutory minimum price sugarcane for the year 75-76 season, from Rs 8.50 Rs 9.50 pes quintal. The te is linked to a recovery 8.5 per cent with a propor- onate premium for higher coveries. The APC suggestion ould normally entail a rise in e price of rationed sugar, hose rate is linked to the minium cane price. The APC rea- es the need to avoid any such crease in view of the adverse fect it would have on the price dex, and has therefore sug- sted that a share of export ofits should go to sugar mills compensate them for losses levy sugar. It has also re- mmended higher excise duty khandsari, so that there uld be a diversion of sugar- ne to the mills. A rebate on cise duty for increased sugar oduction has been suggested an additional incentive to gar mills.

ement against oreign Exchange

The union government has troduced a new scheme for iority allotment of cement ainst inward remittance of reign exchange. The scheme s taken effect from February . Under the scheme, intend- g consumers will have to en- re that the remittances of reign exchange are received ter February 15, 1975. So r, the priority allotment sch- ne against inward remittance foreign exchange was only nfined to the purchase of otor cars, scooters and tract- s. The priority allotment sch- ne with respect to cement, as the case of other schemes, is applicable to Indian nationals returning to India from abroad and to relatives of Indians residing abroad, if they receive foreign exchange remittance from them for the purpose of purchasing cement.

The foreign exchange, equivalent to Rs 560 per tonne, will have to be obtained through overseas remittance by the applicants and be deposited in a non-convertible account with an Indian bank. The amount thus deposited cannot be retransferred abroad. The consumer will, however, have to pay to the supplier of cement only the actual price applicable for sales in India. The applicant will have to give an undertaking that he will not resell the cement allotted to him without the prior permission of the cement controller. The consumers are required to change to a "non-convertible account" with any scheduled bank in India dealing in foreign exchange, as also the application form for priority allotment of cement.

IDA Credit

About 850 medium and large scale industrial enterprises will be able to maintain and expand production with a credit of $100 million from the International Development Association (IDA), an affiliate of the World Bank. The credit will meet part of the foreign exchange requirements of about $ 911 million during 1975-76 for imports of raw materials, components and spare parts. The industries selected are tractors and power tillers, fertilisers, pesticides, electrical equipment, aluminium smelting, commercial vehicles, automotive ancilliaries, castings and forgings, machine tools, heavy construction equipment and spare parts for heavy earth moving and power generating equipment. The IDA credit will be extended to the government for 50 years, including a 10 year grace period. It will be interest free, but will carry a service charge of 3/4 of one per cent to cover IDA's administrative costs.

The IDA has also approved credit of $ 45 million to help finance the completion of a barrage across the Godavari river in Andhra Pradesh. The project will ensure continued availability of perennial irrigation water in the 400,000 hectares command area. The project is scheduled for completion in 1979 at a total estimated cost of $ 70 million, including the foreign exchange cost of $ 20 million. The IDA credit will meet about 64 per cent of the cost of the project. The Andhra Public Works Department will execute the project.

UNDP Assistance

The United Nations Development Programme (UNDP) will assist India in the development of new fibres and composites. This would be taken up under a project that is designed to generate additional employment opportunities in agriculture, fisheries and chemical industries. The project would utilise what is known as "composite materials technology." This is stated to be labour-intensive and science-based and adaptable to Indian conditions. Using it, for instance, in the plastics industry which is now rapidly developing in India, a wide range of composites could be developed by reinforcing the strength of plastics with suitable fibres. UNDP assistance will cover the foreign exchange component of imported equipment, training of qualified staff from research laboratories participating in the project and visits by international experts from abroad for specific purposes and specific periods.

Cabinet Changes

Mr Kamlapati Tripathi, was appointed minister of Railways to fill in the vacancy caused by the death of Mr L.N. Mishra. He will present the Railway Budget for 1975-76 on February 20. A Rashtrapati Bhavan communique stated that Mr Tripathi's portfolio of Transport and Shipping has been assigned to Mr Uma Shankar Dikshit, hitherto minister without portfolio.

Indo-Rumanian Accord

India and Rumania have reached a settlement on the long-standing issue of price for ships. In terms of the settlement, India will have to pay substantially higher prices for eight ships still to be delivered by Rumania. Under a fixed price contract, Rumania was to supply ten ships, with deliveries to be completed by 1976. Later, however, Rumania asked for a price increase on the ground that the cost of ship-building had escalated. The matter was under negotiations for past many months. An Indian shipping delegation comprosing Mr M. Ramakrishnyya, Secretary in the ministry of Shipping and Transport, and Adm. Nanda, Chairman of the Shipping Corporation, held talks recently in Bucharest with the Rumanian shipping authorities and a formula was finally hammered out. As per the formula, Rumania has agreed not to charge increased prices for two ships already delivered. But for the remaining eight ships, the price rise will be 40 per cent, as against the Rumanian demand for cent per cent increase. Since agreement on price has taken so much of time, the Rumanian side, according to reports received by the Shipping ministry here, has assured the Indian delegation that it will stick to the original delivery schedule

Indo-Yugoslav Joint Ventures

India and Yugoslavia have agreed that they should immediately explore possibilities of setting up joint ventures in the oil-rich Gulf countries. The idea was discussed at Indo-Yugoslav joint committee meeting in New Delhi recently. The Indian delegation to the meeting was led by the union Commerce minister, Prof D.P.

Chattopahdyaya, and the Yugoslav delegation by Dr Vratusa, deputy prime minister. Dr Vratusa welcomed the idea of setting up of joint ventures in third countries, particularly in the Gulf countries, and wanted the proposal to be given concrete shape immediately. Dr Vratusa was particularly keen on having joint ventures in third countries in the field of shipping and wanted the proposal to be expedited before the opening of Suez Canal.

The Indo-Yugoslav sub-committee on joint ventures in third countries, which met here recently submitted its report to the joint committee. Both the delegations noted that views of India and Yugoslavia were identical on the issues of raw materials as stated in the recent declaration of non-aligned countries at Dakar.

Dual Voltage Locomotives

The Chittaranjan Locomotive Works (CLW) will manufacture 53 dual voltage AC/DC locomotives during the current year for high speed passenger and heavy goods trains, according to a spokesman of the works. The CLW produced first dual voltage locomotive in the country to mark its silver jubilee. Commissioned in 1950, it has produced 2,341 steam and 469 electric locomotives. These locomotives from Chittaranjan were now hauling passenger and goods trains in various parts of the country. The CLW had stopped producing steam locomotives—the last of which steamed out on February 5, 1972.

Bhatinda Fertiliser Unit

The construction work on the Bhatinda fertiliser factory, a public sector project, to be built at a cost of a Rs 150 crores has begun. Talking to newsmen recently Mr J.P. Pandey, Punjab's minister for PWD, stated that the project was expected to be completed in 1977. In addition to providing jobs to about 1,000 technicians, it would produce 2.2. million tonnes of ammonia, 511,000 tonnes of urea and 8,250 tonnes of sulphur every year. Japan is providing the technical knowhow and financial assistance for the project.

Excess Capacity for Exports

The centre has decided to regularise excess capacities of all licensed undertakings, if the excess production is meant for exports. This is subject to the condition that no additional equipment would be needed and that the value added is reasonable. This would benefit industrial undertakings which are capable of producing more than 25 per cent of their capacity normally allowed for extra production. The monopoly houses would also be eligible for the relaxation. But their applications would be screened by a task force to be set up for this purpose in the ministry of Industries and Civil Supplies. The government has also announced the procedure and formula for fixing the capacities of those undertakings which have been asked to get themselves registered under the amendment made to Section 10 of the Industries (Development & Regulation) Act in 1973. In fixing the capacities of such units liberal view is to be taken for exporting units.

Trade with Finland

The Indo-Finnish trade is being reviewed in order to impart increased viability to the current flow of trade between the two countries. A high-level delegation led by the Finnish minister for Foreign Trade, is in the country to participate in the review. According to official sources, trade talks seek ways and means of increasing the volume of Indo-Finnish trade. The share of this country is less than one per cent of the global imports of Finland. Indian exports to Finland amounted to Rs 55 lakhs in 1970-71. But this recorded an increase to Rs 211 lakhs in 1973-74. During the first five months of the current year, India's exports to Finland amounted to Rs 66 lakhs as compared to Rs 44 lakhs during the corrresponding period of the previous year. Indian imports from Finland also increased from Rs 235 lakhs in 1970-71 to Rs 410 lakhs in 1973-74. Import figures for the first five months of 1974-75 were Rs 265 lakhs as compared to Rs 105 lakhs in 1973-74. Textiles, particularly handloom fabrics constitute India's main exports to Finland while paper and paper boards including newsprint form the principal imports from Finland.

World Tea Output

The shortfall noticed in the world tea output in the first 10 months of 1974 was narrowed down and at the end of November 1974 production stood unchanged at 760.2 million kg. The improvement was largely due to the rise in north Indian output from 322.9 million kg to 337.2 million kg in the first 10 months of 1974. Bangladesh accounted for a rise of 3.3 million kg at 25.4 million kg in the first 10 months of 1974. South Indian output recorded a fall of two million kg at 99.7 million kg in 1974 on account of the strike in Kerala during August-September and drought conditions experienced in some of the tea growing districts.

Sri Lanka's crop declined for the third year in succession and the estimated output for 1974 is 201 million kg as compared to 211 million kg in 1973. Compared to the 1965 levels, Sri Lanka's output is down by as much as 27 million kg in 1974. In spite of the severe drought noticed in the first few months of 1974, East African figures did not show sharp drop in 1974. Even Kenya, whose crop was down by 40 per cent during January-April 1974 reported a loss of hardly seven per cent at 47.5 million kg at the end of November.

Rural Banking

Rural centres had a siginificant share in branch expansion of commercial banks in 1974, according to a recent review by the Reserve Bank of India. The numbers of bank offices in rural centres went up from 6,023 in December 1973 to 6,631 in December 1974 out of a total bank net work of 18,180 branches. Since the nationalisation of 14 major bank in July 1969, 9,918 bank office had been opened till Decembe last year. Of these 48.4 per cen were opened in the rural centres. The review stated that th national average of populatio served per bank office decline from 33,000 in December 197 to 30,000 in December 1974 The figure stood at 65,000 in June 1969. The review pointed out that out of the 1,69 new offices opened last year 526 offices (31.1 per cent) were in unbanked centres. The percentage of offices opened in unbanked centres was 35.8 in 1973 as against 47.5 in the previous year. This decline is attributed mainly to the fact tha since the opening of a larg number of branches the numbe of such unbanked centre having reasonable bankin protential is on the decline according to the review.

World Trade

The current economic slow down is beginning to affec world trade flows, as shown in the latest issue of Internationa Financial Statisticis publishe by the IMF. World exports reached an estimated value o US $189 billion in the thir quarter of 1974. and whil this represents a 43 per cent increase over the estimated $13 billion in the third quarter o 1973, larger increases — b 48-50 per cent — had been registered between the first quarters of 1973 and 1974 as well a between the second quarte of those two years. These increases in the value of worl trade are considerably inflate by the underlying sharp rise in export prices, and the real volume of world exports is estimated to have risen only slowl from the third quarter of 197 to the third quarter of 1974 (World total in IFS do not include figures for the Soviet Un Union, eastern Europe, th Peiple's Republic of China an related areas.)

The combined export valu of the industrial countries showed an increase of 32 per cen from $94.9 billion in the thir quarter of 1973 to $125 billio in the third quarter of 1974 ir exports had risen by 36 cent from the first quarter 1973 to the first quarter of 4. Other developed areas n-industrial Europe, Aus- ia, New Zealand and South ica) increased their export ue by 24 per cent from $8.8 ion in the third quarter of 73 to $10.8 billion in the rd quarter of 1974, against 31 per cent increase between first quarters of both years. port values of less developed eas excluding oil exporting untries went up by 27 per cent om an estimated $17.3 billion the third quarter 1973 to $22 lion in the third quarter of 74 against an increased of 46 r cent between the first quar- s of 1973 and 1974. Export lues of less developed areas cluding oil exporting count- s went up by about 90 per nt between the third quar- rs of 1973 and 1974 compared th 95 per cent between the st quarters of both years.

ertilisers from Poland

This country will import 0,000 tonnes of fertilisers om Poland this year. This will mprise 180,000 tonnes of urea d 50,000 tonnes of calcium nmonium nitrate. An agree- ent to this effect was signed cently by Mr S. K. Agarwal, eneral Manager Minerals and etals Trading Corporation, d Mr J. Kowalski, Director of IECH, a Polish agency. This llows the amicable settle- ent of the differences on prices hich cropped up during nego- ations recently. With the test contract, MMTC has so r finalised arrangements for e import of a total quantity of 7,000 tonnes this year. Con- acts have already been signed ith the Soviet Union for 7,000 tonnes, Rumania 0,000 tonnes and Bulgaria),000 tonnes. The corpora- on hopes to sign agreements on with other countries in- uding Hungary, the German emocratic Republic and the emocratic People's Republic f Korea.

oir Exports

Over 26,300 tonnes of coir nd coir goods valued at Rs).30 crores were exported om this country during April-Novembr, 1974, as against 29,000 tonnes valued at Rs 9.62 crores during the corresponding period of the previous year. According to the Coir Board, coir yarn was one of the major items of export and fetched over Rs 462 lakhs. This was followed by coir mats and coir mattings. During the reported period, 75 quintals of rubberised coir goods valued at Rs 8,780 were also exported.

Asian Rice Trade Fund

An Asian Rice Trade Fund is being set up under the aegis of the United Nations to promote trade in rice among the developing countries of the region. India, Bangladesh and Sri Lanka have already deposited their instruments of acceptance of the fund agreement with the UN. The Philippines, South Viet Nam and Khmer Republic have intimated their acceptance of the agreement to join it. The main purpose of the fund would be to undertake or arrange finance for rice sales between member-countries inovlving deferred payments initially up to a period of five years.

World Cashew Community

A proposal to set up an international cashew community with represntation for African countries of Kenya, Tanzania and Mozambique was made recently by Mr Santaram N. Zantye, Chairman of the Indian Cashew Development Council. Addressing a meeting of the council recently he said that along with an agreement with Mozambique the biggest producer of raw cashewnuts, which would assure a regular supply of raw nuts, India should make concerted efforts to increase indigenous production of nuts to bridge a production gap of 200,000 tonnes to keep its industry going. The chairman urged the Cashew Corporation of India (CCI) to utilise a substantial chunk of it profit for increasing indigenous production.

Sugar Prospects

President of the Indian Sugar Mills Association, Mr P. Maruthai Pillai, recently stated that the cane arrears during the current crushing season would mount fairly high unless the government took some immediate steps to improve the economic viability of the industry. Addressing a press conference recently, Mr Pillai pointed out that while the free sugar market continued to be sluggish, the industry was saddled with a loss of Rs 43 crores. He, therefore, called upon the government either to increasses the price of levy sugar or give a share of the profit out of the huge export earnings to the industry. According to the ISMA president, the price of levy sugar should be increased by at least Rs 25 per quintal. The sugar, production during the current year would be of the order of 4.4 million tonnes. He suggested that the government could, thus easily afford to export at least 1.2 million tonnes to earn a foreign exchange of Rs 1,000 crores.

Mr Pillai was of the firm view that export of 1.2 million tonnes of sugar will in no way have any bearing on the prices of sugar in the home market. The monthly sugar release for internal consumption is of the order of 250,000 tonnes. The timely winter rain and favourable weather conditions and as a result of high prices of cane paid by the factories, sugar prospects for the current season had improved considerably. To take advantage of the extremely favourable conditions, including high prices of sugar in the international market, Mr Pillai urged the government to go all out to enter into firm commitments for export of 1.2 million tonnes.

Bihar's Poverty

Mr K.K. Birla, President of the Federation of Indian Chambers of Commerce and Industry, called upon the business community to maximise dialologue with the government and labour in order to make the country strong and self-reliant. Addressing the Bihar Chamber of Commerce, Mr Birla regretted that Bihar continued to be a poverty-stricken state in spite of its abundance of natural resources, particularly mineral wealth. He suggested that the Bihar Chamber of Commerce and the state industries board should concertedly make a thorough study of the factors responsible for the state's chronic backwardness. In his view, there were apparently three main reasons for the abnormal incidence of poverty in the state. One was the fact that north Bihar had no industry yet, except sugar. Secondly it was an over-populated region. And lastly its rural economy was still decadent and anaemic. Referring to the State of National economy, Mr Birla identified the three major problems confronting the country as inflation, shortage of foreign exchange and recession. But the last one, he hoped, would not last more than four or five months.

Company Notice

The Calcutta Electric Supply Corporation Limited

(Incorporated In England)

7¾% DEBENTURE STOCK 1980

INTEREST FOR THE HALF YEAR ENDING 14TH APRIL 1975

Notice is hereby given that Interest at the rate of Rs. 38.75P (less Indian Income Tax) per Rs. 1,000/- of Stock will be paid on 15th April, 1975 to Debenture Stockholders registered in the Books of the Company on 2nd April 1975. Applications for transfers received at the Company's Office at Victoria House, Post Box 304, Chowringhee Square, Calcutta, upto 2nd April, 1975 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Interest.

Debenture Stock Transfer Book will be closed from 3rd April, 1975 to 14th April, 1975 both days inclusive.

By Order of the Board,
S.K. NIYOGI
Secretary

VICTORIA HOUSE
CALCUTTA-700001
4th February, 1975

COMPANY AFFAIRS

Markets Buoyant

BUOYANT CONDITIONS were witnessed on the stock exchange during last week. The Finance minister, Mr C. Subramaniam's optimistic note about the general economic situation and his remarks that the forthcoming budget would be production-oriented and would stimulate savings and investment cheered up market sentiment. Coming close on the heels of the Finance ministry's assessment that it is the low return on equity following dividend ordinance that has caused slump in prices and scared away prospective entrepreneurs and underwriters of new issues, the Finance minister's statement was promptly interpreted to mean a possible substantial relaxation in dividend curbs. With commodity price index showing a decline investors were in a gay mood and hastened to lend support at rising levels. As a result share prices moved up briskly and closed at the week's base levels. The turnover also broadened during the week.

Dalal Street opened the week on a steady note with prices of leading equities fluctuating both ways in the first part of the week but moved up smartly towards the week-end on frantic short-covering and sustained speculative buying support at all levels. The week concluded on a cheerful note. The Calcutta Stock Exchange ruled steady during the week under review with prices improving over a broad front. The turnover also recorded a handsome rise with a large number of shares coming into business. There was improvement in the general sentiment in the Madras Stock Exchange during the week. Neither the power cut nor the prospect of a greater power cut seemed to affect the sentiment as the market was eagerly looking forward to a production-cum-investment oriented budget for 1975-76.

Larsen & Toubro

Larsen and Toubro has reported commendable progress during the first nine months of the current financial year, with production, turnover and outstanding orders recording significant-improvements over the corresponding period of last year. The turnover during the period rose spectacularly to Rs 40 crores registering a jump of nearly 50 per cent over the figure of Rs 26.7 crores in the corresponding period of 1973-74. It is significant to note that the sharp rise in sales has stemmed more from a larger volume of sales than due to higher prices on account of inflation. The company has fared extremely well on the production front too. The volume of the output for the period amounting to Rs 26 crores as against Rs 17.5 crores in the same period of 1973-74, the increase being of the order of about 50 per cent. The booking of orders has also shown an encouraging rise of 53 per cent over the preceding year's level. The considerable improvement during the first three quarters of the current year thus ensures that the company despite power cuts and raw material shortages will close the year 1974-75 with a stronger base for further impressive growth and profitability.

Bajaj Auto

Bajaj Auto has concluded an agreement with P.T. Tunes Bekasi Motor Company of Jakarta for the supply of know-how for the manufacture of scooters and three-wheelers. The agreement covers a period of 10 years and production of a minimum of 230,000 scooters and 20,000 three-wheelers during the period of the agreement. The company will supply scooter and three-wheeler components in CKD condition. The company will earn foreign exchange equivalent to Rs 150 per scooter and Rs 300 for three-wheeler which will bring in Rs 4 crores by way of technical know-how fees. Much larger amount of foreign exchange wall be earned by way of exports of CKD packs. This is the first agreement by Bajaj Auto offering its technical collaboration to a foreign country.

Meanwhile the company has concluded another agreement with Paijifa Industrial Company Limited of Taiwan. According to the terms of this agreement the company will provide technical know-how and export components to Taiwan for a period of 10 years. It is expected that the company would earn free foreign exchange worth more than Rs 2.5 crores over the period by way of technical fees alone. Besides a substantial amount of free foreign exchange would be earned by exporting during the period at least 125,000 scooters in CKD condition to Taiwan.

Siemens India

Siemens India has embarked upon a major diversification programme. It has received licences and letters of intent for dental units, variable speed drive systems, motor control modules, a new range of railway signalling equipment, AC synchronous machines and DC machines. In addition to this, it has received ad hoc manufacturing licences for control equipment for power generation and transmission as well as power lines carrier communication terminals and accessories for IDA-financed state electricity board orders. The sharp improvement in the company's performance during the past few years has been mainly due to development of new product lines and expansion in the field of electronics, switchgear communication, X-ray equipment and medical engineering.

Indian Aluminium

The board of directors of Indian Aluminium Company Limited has recommended payment of a dividend of Re 0.90 per fully paid ordinary share which is within the ceiling imposed by the Companies (Temporary Restrictions on Dividends) Act, 1974. The new ordinary shares issued in 1974 will be entitled to this dividend proportionate to the amount paid up on these shares on the date of declaration of the dividend. The directors have also recommended a dividend of Rs 6.25 per preference share. The year 1974 was a difficult year for the company. Power cuts imposed on the company's smelters reduced aluminium output by some 33,000 tonnes or almost a third of planned production, while prices of major raw materials and essentially all other costs rose by unprecedented amounts. Equipment procurement problems hampered construction work on the second 10,000 tonnes per annum capacity for pot room at Belgaum and it is now scheduled for completion by May 1975.

For the aluminium industry in the country, as a whole, metal output in 1974 fell to the lowest level since 1968, essentially due to power shortages and, at the 1974 year end, about 100,000 tonnes of effective capacity lay idle principally for this reason. The company's sales including excise duty totalled Rs 673 million in 1974 as compared to Rs 600 million in 1973. Shipments of aluminium in 1974 were 66,565 tonnes, of which electrical conductor and commercial grade metal accounted for 55

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The transmission drive line components in a C 500 are rated for 6 tonnes, though the trucks themselves are rated for only 2.25 and 3 tonnes. So it has enough reserve strength to handle shock and impact overloads under which other trucks break down altogether.

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A Godrej C 500 is the easiest truck to drive. There's a device to ensure that heavy loads descend more slowly than light loads do, and the positive-action control levers are all mounted right on the cowl, where they're easiest to reach.

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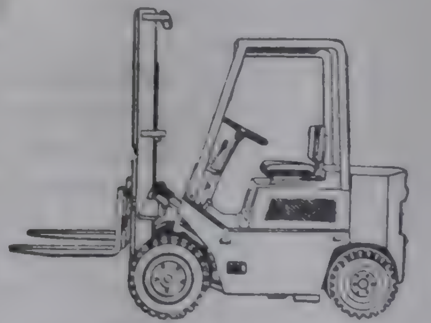

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er cent. . Net profit after pro-sion for development rebate eserve and taxes was Rs 34.0 illion in 1974 as against Rs .4 million reported in 1973. he year's net profit exceeded hat achieved in 1973 due to a ajor reduction in tax provi-ion arising out of tax holiday elief on the initial stage of the elgaum smelter project. In rriving at the 1974 net profit, rovision has been made for Rs 17.8 million for develop-nent rebate reserve and Rs .2 million for taxes. The ompany's register of members nd share transfer registers vill be closed from April 3 to 3, 1975, both days inclusive.

Khandelwal Udyog

Khandelwal Udyog proposes o amalgamate with the Acme Manufacturing Co. Ltd. The cheme of amalgamation, which is at present before the share-holders, suggests that one equity share of Rs 100 of the Khandelwal Udyog will be treated on par with one fully paid up 10 per cent cumulative redeemable third preference share of Rs 100 and 15 fully paid up equity shares of Rs 10 each of the Acme Manufacturing Co. Ltd. The amalgamation is aimed at achieving the best use of the resources available with both the companies. Acme has a large machining facility, tool room, assembly facilities and is situated in a strategic location not too far away from Khandelwal Udyog. As the facilities at Khandelwal Udyog are limited, it has to off-load large volume of orders on hand. The amalgamation is expected to solve this problem.

ICICI

The net profit of the Industrial Credit and Investment Corporation of India (ICICI) after providing for depreciation, taxation, etc. amounted to Rs 244.82 lakhs in 1974 as compared to Rs 219.53 lakhs in the preceding year. The directors have recommended a dividend (subject to deduction of tax) at the rate of 10 per cent per annum on the face value of the equity shares in proportion to the amount paid up or at such lower rate (which at present works out to 6.5 per cent) as may be permissible under the provisions of Companies (Temporary Restrictions on Dividends) Act, 1974, applicable at the date of declaration of dividend by the shareholders.

Gammon India

In order to off-set the effect of lean cycles in the construction business, Gammon India Ltd proposes to diversify its activities. The company has formulated plans for the manufacture of large diameter impellers for a installation in cooling towers required for industrial plants and power stations. The design of impellers is already in an advanced stage, The necessary registration for instituting it as a commercial activity, has been received from the Directorate General of Technical Development. The purchase of land at Badlapur near Bombay from M.S.I.D.C. has been completed and the preliminary arrangements for the construction of the premises has been initiated. The funds required for this purpose will be raised partly from the company's resources and partly from the financial institutions, banks and others.

Polygas

Polygas which is setting up an oxygen plant at Bhavanagar (Gujarat) expects to start trial production by May and commercial production by June 1975. The company has also received an import licence for cylinders and arrangements are being made to import the cylinders well before the plant is commissioned. The company made a public issue of 1.5 lakh equity shares of Rs 10 each at par in October 1972. At that time it was envisaged that the oxygen plant, to be imported from Russia on deferred payment basis and on rupee payment terms, would go on stream by the end of 1973. The company is now getting its plant from Indian Oxygen.

Unit Trust

The sale and repurchase prices of the units of the Unit Trust of India were raised by five paise each to Rs 10.55 and Rs 10.25 per unit respectively with effect from February 14.

News and Notes

After a spell of about fourteen years, Indian ships will now once again be calling at the Portuguese ports and m.v. Jalapalaka owned by **The Scindia Steam Navigation Co.** Ltd, is presently in Lisbon loading a parcel of corkwood and generals for Bombay. This is the first Indian vessel to call at a Portuguese port after the re-establishment of diplomatic relationship between India and Portugal.

The Indian Farmers Fertiliser Cooperative Ltd is a unique venture. It was registered as a multi-unit cooperative society on November 3, 1967. Within its short period of existence it has become well known to the farming community. This has been achieved by a unique combination of promotion and service which characterises its marketing operations. As a marketeer of fertiliser. IFFCO has a special advantage, being part of a widespread cooperative system. It is owned by cooperatives and according its founding principles its products are marketed only through cooperatives.

The IFFCO complex has its two plants at Kalol and Kandla in Gujarat. The Kalol plant is an ammonia-urea plant with a designed output of 396,000 tonnes of urea per annum. The Kandla plant, an NPK plant, has an output of 375,000 tonnes of NPK per annum. Together, they form what was initially conceived of as a single unit, which was later separated into two with different locations for technical and economic reasons, the major consideration being the possibility of using natural gas available from the Kalol gas field. Part of ammonia produced at Kalol is transported to Kandla by tank cars which consitutes a special characteristic of the IFFCO operations. IFFCO proposes to set up two projects in the fifth Plan. The ammonia-urea complex with a capacity of five lakh tonnes of urea per annum will be built at Phulpur, near Allahabad, with an investment of Rs 160 crores. The special facilitie's at Kandla port are being made use of for constructing a phosphoric acid plant and for the expansion of the exiting NPK plant capacity to 900,000 tonnes per year. These will cost about Rs 65 crores.

New Issues

L.G. Balakrishnan & Brothers Ltd is offering equity shares worth Rs 24 lakhs in shares of Rs 10 each for cash at par for subscription. Out of this 169,000 equity shares are offered by way of public issue and the remaining 71,000 shares are being offered for sale by the existing shareholders. The subscription list opens on February 24 and will close on March 5 or earlier but not before February 26. The company is engaged in the manufacture of a wide range of engineering goods such as automotive roller chains, industrial roller chains, automobile bus and lorry bodies and reclaimed rubber. The company also runs fleet of passenger buses and has an automobile parts trading and service business. It proposes to establish production of additional items such as chain tensioners and sprockets. It also proposes to expand the production and sale of roller chains and reclaimed rubber to the licensed capacity available. For these purposes a total capital investment of Rs 20 lakhs is envisaged. The proceeds of the present issue will provide a part of the resources required for the implementation of these schemes.

Hindustan Bulk Carriers, a new shipping venture by Chowgules will be entering the capital market shortly with a public issue of Rs 194 lakhs comprising 13,40,000 equity shares of Rs 10 each and 60,000 (11 per cent) cumulative redeemable preference shares of Rs 100 each at par. To start with the company proposes to acquire one large bulk carrier of 64,000 DWT for which an order has been placed with Cockerill

Shipping Yards, Hoboken, Belgium, The same yard had recently delivered a bulk carrier to Chowgule Steamships. The vessel is priced at 735 million Belgium Franc, about Rs 15.98 crores. It is scheduled for delivery in October 1976.

Guidelines for Shareholders

The National Forum of Shareholders has circulated for general information certain guidelines for shareholders asking questions at annual general meetings. The guidelines are as follows:

Directors' Report should state the nature of the working of the company after the close of the accounting year, the date of the Directors' Report giving specific figures of turnover as compared to the same period together with the trends in profitability. The outlook for the remaining months and the whole year should be enquired at the meeting.

Directors' Report has to be examined whether it deals with any controversial subject, any scheme for diversification, issue of right or bonus shares. These matters should be got fully elucidated by drawing attention to these points.

Special business in the notice may be looked into carefully to ascertain whether the changes are in the best interests of the company as also not prejudicial to the interests of the shareholders.

Whenever relatives are to be appointed on remunerative posts, their age, experience, special qualifications have to be enquired into.

Details of donation made should be called for when the amount is high in relation to the net profits of the company.

Production and sales charts indicating quantity and value have to be examined with referrence to last year's performance. Reasons for declines, if any, have to be asked for. Mere "Load Shedding" "Labour Trouble" should not satisfy as these are common factors. No company can run unless these factors are properly and adequately overcome.

Where the reserves are more than the paid-up equity share capital and if the earnings are good and stipulations of the government are satisfied, the management should be pressed to issue bonus shares.

Sole selling agency for items which are in short supply and command a large premium such as paper, cement, vegetables, rubber goods etc. should not normally arise. If certain commission is paid to agents etc., it should not normally go beyond the percentage of rise in turnover.

Increase in expenses under various heads as compared to last year should not normally vary beyond the percentage of increase in turnover and inflation rate. Any excess should not only be got explained but a rigid control on them in the future should be insisted. Expenditure under head "Miscelianeous Expenses" has to be enquired into and details asked for, if the amount is high.

Fall in receipts under different items should similarly be enquired into.

Increase in the cost of production should be reflected in increase in sale price. This can be checked by comparing the profit margins i.e., percentage of sales to cost of consumption of raw materials for two consecutive years.

Average rates of closing stock of each item of production sale should be compared with average rates of opening stock and sale. Wide disparities in the revaluation should be brought to the notice of the company for proper elucidation since under-valuation of the closing stock will result in lower profits.

Compare the profitability with companies of similar nature. If the profit on capital employed (Paid-up capital & reserves) is lower, reasons should be asked for.

Capital commitments to be looked into to find out the progress of expansion schemes and profitability of the same.

Promises, announcements and expectations made in the prospectuses or last year's Director's Reports should be enquired into and reasons for not fulfilling them should be called for.

Shareholders should ask for giving/circulation of replies to the queries raised by the members through post even if the querist is not present at the meeting.

In regard to public deposits, Directors' Report should reveal the information of total expenses incurred including incentives to depositors commis sion paid to Deposit Broker as in many cases these expense are as high as 10 per cent o the deposits received with th result that the interest couplec with these expenses are more than 25 per cent per annum which is a very high figure.

Income-tax assessments anc amounts disallowed to be enquired to find out excess expenditure incurred by the company which entails double payment of income-tax.

List of top 10 shareholders be obtained to find out the actua controlling interests and the changes that have taken place during the year.

Disposal of assets particu-

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Herbertsons	March 31, 1974	10.00	4.00
Precision Bearings India	August 31, 1974	12.0	10.0
Same Dividend			
Chitavalsah Jute Mills	July 31, 1974	Nil	Ni
J.K. Steel	June 30, 1974	Nil	Ni
Reduced Dividend			
Champarun Sugar	June 30, 1974	Nil	15.0
National Insulated Cable	March 31, 1974	4.0	8.0
Calcutta Chemical	June 30, 1974	2.0	10.0
Carona Sahu	April 30, 1974	Nil	5.0
Walchandnagar Industries	Sept 30, 1974	7.7	12.0
Kirloskar Asea	Sept 30, 1974	Nil	5.0
Fit Tight Nuts and Bolts	Sept 30, 1974	12.0	19.0
Associated Bearing	Dec, 31, 1974	9.5	22.0

rly plant and machinery ould be viewed with concern old plant and machinery is nerally imported and at times eir sales will fetch more an book value. Hence, there hould not normally be loss nless it is established that ems became obsolete. Then lso it may be enquired as to hom they were sold, whether o a company having same kind f production or to a concern nder the same management. When production is below the icensed and installed capacities, the reasons why the production cannot be enhanced hould be enquired.

The expenses incurred by the lirectors and executives of the ompany on their club bills, lub subscriptions/fees, entertainment expenses otherwise pent not through the clubs, specially in case of those who re relatives of directors and re appointed under Section 314 of the Companies Act hould also be enquired into.

Details of deposits and loans given by the company to others nay be enquired into to find ut the rate of interest earned nd the relation of parties with he management.

Details of investments in the hares of other companies hould be thoroughly probed nto as in most cases these are nade in the concerns under the ame management/group. The ate of return and reasons for uch investments, particularly when they are borrowed funds hould be enquired.

If the meeting has been convened later than the prescribed period, reasons for the same hould be enquired and it hould also be enquired as to whether necessary permission from the Registrar of Companies has been obtained for the same and if not, why and who is responsible for the default.

During the dividend freeze period, proper explanation called for as to how the surplus funds of the company have been utilised. Demands for their productive utilisation should made.

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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
50	626.50	1305.25	2073.00	2897.50	3799.50	4946.25	6097.75	7369.75	8775.00	10327.50	10601.50
100	1253.00	2610.50	4146.00	5795.00	7599.00	9892.50	12195.50	14739.50	17550.00	20655.00	21203.00

RECORDS AND STATISTICS

IMF progress report on oil facility

DISCUSSIONS HAVE begun with major oil exporting countries on loans to finance the International Monetary Fund's Oil Facility in 1975. The Oil Facility was established on June 13, 1974, for a period ending December 31, 1975. It is designed to assist member countries in payments difficulties resulting from the initial impact of increased costs of oil imports. To finance the Oil Facility arrangements for 1974, the Fund borrowed the equivalent of 3.05 billion Special Drawing Rights (SDRs) from nine governments and monetary authorities, mainly of major oil exporting countries. Until end-January 1975, 34 member countries had drawn the equivalent of SDR 1.9 billion under the Oil Facility. Member countries can submit requests for purchases under the 1974 Oil Facility until February 28, 1975.

Thereafter, the Oil Facility will be continued on an enlarged basis through 1975. The Interim Committee at its recent Washington meeting concluded that a total of SDR 5 billion should be sought to finance the Oil Facility in 1975, and that any unused portion of the loans negotiated in 1974 should be available in 1975.

In view of the need to help the 33 "most seriously affected" countries, the Interim Committee agreed that the burden of interest payable by this group of countries to the Fund for their drawings under the Oil Facility should be reduced. A special account is to be established with contributions from oil exporting and industrial countries. The Fund will administer this account and make payments to the most seriously affected countries from it in order to reduce their effective interest rate by an amount calculated at about five percentage points.

The Interim Committee agreed that, subject to satisfactory amendment of the articles, the total of present quotas should be increased by 32.5 per cent and rounded up to SDR 39 billion, and that the share of the major oil exporters as a group should be doubled while the collective share of all other developing countries should not be allowed to fall below its present level.

Draft amendments of the Articles of Agreement are being prepared by the Executive Directors on the following subjects.

(i) the transformation of the Interim Committee into a permanent council which would have decision-making authority;

(ii) improvements in the general account, which would include elimination of the obligation of member countries to use gold to make such payments to the Fund as quota subscriptions and repurchases:

(iii) improvements in the characteristics of the SDR;

(iv) provision for stable but adjustable par values and the floating of currrencies in particular situations, subject to appropriate rules and surveillance of the Fund.

(v) arrangements for gold.

In this context, it was concluded in the Interim Committee that the official price for gold should be abolished and obligatory payments of gold by member countries to the Fund should be eliminated; much progress was made in moving toward a complete set of agreed amendments on gold, including the abolition of the official price and freedom for national monetary authorities to enter into gold transactions under certain safeguards.

Draft amendments on these matters together with agreed proposals for the quota increases are expected to be submitted to the Interim Committee at its next meeting in the early part of June 1975, in Paris.

As new loans are being sought from the oil exporting countries, their international reserves (foreign exchange, gold, Special Drawing Rights, and reserve positions in the Fund) have reached very high levels due to continued large receipts for oil shipments. At the end of November 1974, the reserves of these countries as a group had reached an equivalent of about SDR 36 billion as compared to SDR 12.1 billion at the end of 1973. According to the latest data in the current issue of *International Financial Statistics*, a monthly publication of the IMF, the largest reserves among the oil exporting countries were held by Saudi Arabia; they amounted to SDR 11.7 billion at the end of 1974, as compared to SDR 3.2 billion at the end of 1973.

Other major oil exporting countries with large reserves are Iran with an equivalent of SDR 6.85 billion at the end of 1974 as against SDR 1.03 billion a year earlier, Venezuela with SDR 5.33 billion against SDR 2.01 billion, Nigeria with SDR 4.6 billion against SDR 0.49 billion, the Libyan Arab Republic with SDR 2.95 against SDR 1.76 billion, Kuwait with SDR 1.14 billion against SDR 0.42 billion, and Iraq with SDR 2.67 billion at the end of November 1974 as against SDR 1.29 billion at the end of 1973.

Some oil exporting countries, particularly those with relatively large domestic economies, are beginning to experience a slower growth of their reserves since an increasing share of their export earnings is being used to pay for a rapidly expanding inflow of imports. Algeria's reserves' for example, rose from the equivalent of SDR 0.95 billion at the end of 1973 to SDR 1.67 billion at the end of the third quarter 1974, but then declined to SDR 1.38 billion at the end of the year; similarly, Indonesia's reserves went up from SDR 0.67 billion at the end of 1973 to SDR 1.7 billion at the end of October 1974 and fell subsequently to SDR 1.22 billion at year's end.

The important and increasing flow of resources from the oil exporting countries to other developing countries and to international financial institutions was recognized by the Joint Fund/Bank Development Committee which met in Washington on January 18. But anxiety was expressed that adequate financing might not become available to cover the very large aggregate current account deficits, of the order of US$ 30 billion, in prospect for the non-oil exporting less developed countries in 1975. In 1974, their aggregate current account deficit had reached an already high level of about $23 billion.

Total international reserves of all less developed countries including the oil exporters rose from an equivalent of SDR 37 billion at the end of 1973 to SDR 62.5 billion at the end of November 1974. After exclusion of the oil exporting countries from this group,however, a much smaller rise in reserves is shown for the remaining less developed countries — from SDR 25 billion to SDR 26.6 billion.

The industrial countries as

a group registered an increase in their international reserves from the equivalent of SDR 95.35 billion at the end of 1973 to SDR 98.19 billion at the end of 1974. The largest reserves are held by Germany, totalling SDR 26.72 billion at the end of 1974 against SDR 27.48 billion at the end of 1973, the United States with SDR 13.12 billion against SDR 11.92 billion and Japan with SDR 11.04 billion against SDR 10.15 billion.

—*Courtesy*: *IMF*

A profile of Kandla Free Trade Zone

Location : On India's west coast, 9.5 km away from Kandla port, a modern major port five km. from Gandhi dham port town, the Kandla Free Trade Zone (KAFTZ) is situated in a total acquired area of 284 hectares. Initially 130 hectares were developed to house the industrial units. Further expansion is well provided for.

Transport : Air - port : At Bhuj, 65 km distant, Proposed ir-link at Kandla 14 km disant; Docks: At Kandla port, km distant; Roads National ighway No. 8A passes through he Zone; and Railway : A neter gauge siding connects he Zone with the railway staions. Direct link with Bombay nd Delhi. Broad Gauge link vith Bombay from Gandhidam, only 5 km away.

Power Supply: 16 Megawatts er day both in low and high ension from Gujarat Electriity Board, Kandla Thermal tation.

Power Rates: Rs 11 (US$ .51) per KW per month above 00 KW demand charge. The verage charge at 5,00,000 units er month is about Rs 16.70 aise (US $ 0.021) per unit. owering of power tariff under nsideration.

Water Supply: (Adequate pply of good grade water om the Viri High Service eservoir of Kandla Port Trust.

Water Rates: (Per 1,000 litres, 40 Paise ($0.0533) for first one lakh litres. 50 Paise ($ 0.0666) for over one lakh and upto three lakh litres, 60 Paise ($0.0800) for over three lakh and upto six lakh litres, 65 Paise ($ 0.0866) for any additional quantity over six lakh litres.

Communication: Telephone and telegraph facilities already available. Telex to be instailled shortly.

Banking: In addition to the commercial banks operating at Gandhidham, State Bank of India, Bank of Baroda and Dena Bank have branch units in the Zone.

Man-Power: Plenty of unskilled and semi-skilled labour supply. The Zone administration assists in getting technical and managerial man-power from the state institutions.

Wages: Wages compare favourably with the rest of India as well as with countries like Japan, USA and other countries in Asia.

Factory Space/Land: Space is available for approximately 200 industrial units in KAFTZ. 16 industrial sheds having a floor area of 18×9 sq. metres with an identical open space have been developed in the Zone and construction of about 16 sheds is underway. 185 plots ranging from 1650 sq. mtrs. to 52,000 sq. mtrs and allotted on 30 years lease for construction of a factory on payment of ground rent of 0.50 ps. per sq. mtr per annum.

A Package of Additional Concessions:

(1) There is no restriction on the line of manufacture so long as it is 100 per cent export oriented and is not reserved exclusively for public sector, items banned in the rest of the country can also be imported with a few exceptions.

(2) Duty free import of capital goods and equipment from preferred sources.

(3) Import licences granted to meet the raw material requirements for buffer stock upto 12 months.

(4) Exemption from customs and additional (counter-vailing) duty on consumable, raw materials, components, spares, tooling and packaging materials imported.

(5) Exemption from Central Excise Duties and other levies on products manufactured within the Zone.

(6) Exemption from Central Excise Duties of specified excisable indigenous raw materials brought into the Zone.

(7) Capital goods, equipment, raw materials, components, spare, tooling and packaging materials supplied to the Zone from the rest of the country are likely to be treated as exports and will be eligible for all the concessions such as cash assistance, duty drawbacks etc., as are available to

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units in the Domestic Tariff Area exporting out of India.

(8) Transport Subsidy equal to one per cent of the f.o.b. value of exports.

(9) Finance at a concessional rate available from Gujarat State Financial Corporation, Gujarat Industrial Investment Corporation etc.

(10) Raw materials, machichery, components, packaging materials etc., brought into the Zone are exempted from levy of tax under the Gujarat Sales Tax Act.

(11) On merits, special facilities of blanket permits of foreign exchange for visits abroad for export promotion without any condition of export performance.

(12) Being away from the municipal limits no municipal taxes and no octroi duty.

In short, a number of bene fits accrue by locating industry in KAFTZ : lowest rent in the country, lower wage levels,cheaper production, a favourable import policy, an unfailing supply of power and water, and highly skilled and capable man-power. KAFTZ also helps in developing export markets and locating ancillary units outside the Zone.

Foreign Investment

(i) Non-residents of Indian origin or otherwise will be permitted to make investments in any form or organisation that they like. They will be free to make investments in Indian Joint Stock Companies, partner ships or proprietorships. KAFTZ is free from the restrictions on investments in partnerships and proprietorships etc., applicable elsewhere in the country.

(ii) Whilst 100 per cent foreign companies and their subsidiaries or joint ventures involving foreign equity are not ruled out in the Zone, it is expected that this will be for items where technological skills and marketing capabilities which these units possess are only needed. Such proposals for 100 per cent foreign ownership units or joint ventures involving majority equity will have to be considered on a case by case basis.

(iii) Investment in purely trading commercial activities will be permitted in KAFTZ. The provision under which foreign investment is not allowed in certain types of industries where foreign technical knowhow and capital are not considered essential will not apply. Thus, there will be no bar in setting up an industry on the ground that foreign technical know-how and capital are not essential for the purpose.

(iv) There is no stipulation that the non-resident entrepreneurs should progressively associate resident Indian participation.

(v) Capital investment in the government approved projects, as in the case of units in KAFTZ, may be repatriated at any time to the extent of original investment. Any part of the profits derived from investments and ploughed back into projects with the approval of the government will be treated as investment for the purpose of permitting repatriation.

(vi) There are no restrictions on remittance of profits or dividends earned by foreign investors from their investments in India. The remittance is, of course, allowed only after deduction of tax due. There are, however, certain restrictions on 100 per cent foreign owned companies in regard to drawal from reserves to declare dividends. In such cases Reserve Bank of India should be satisfied:

(1) that the reserves have been drawn upon only for maintaining the dividend quantum on the average of previous five years or 10 per cent of the paid up capital, which ever is more;

(2) that the drawal on reserves does not exceed 10 per cent of the total of the paid up capital and free reserves of the company at the beginning of the year; and

(3) that the balance of free reserve left after the drawal does not fall below 15 per cent of the total of paid up capital and reserves as in (2) above.

(vii) Foreign exchange holdings will be permitted to be brought into KAFTZ. Each applicant will have to maintain a separate non-resident account in respect of his operations in KAFTZ.

(viii) Plant and machinery needed for setting up converting or manufacturing facilities for exports will be permitted freely and Customs Clearance Permits issued for import of the same against applicant's own foreign exchange without requiring any clearance from the Directorate General of Technical Development. Clearance from indigenous availability angle will, however, be necessary while considering applications' for import licences (as distinct from CCP) for capital goods, where the party is unable to provide foreign exchange from his own sources.

(x) If the type of industry is such that India is a net importer of the manufactured products, the parties may be permitted to sell such goods in India against valid general currency area import licence.

Custom Clearance: A streamlined procedure has been adopted for clearing goods imported into or exported out of KAFTZ.

Imports and Exports: For quick clearance of import licences there is an office of Controller of Imports & Exports located in the Zone. A representative of Export Inspection Agency is also in the Zone to assist in statutory export inspection formalities.

Disposal of Sub - standard Goods, Scrap and Waste: Products manufactured in KAFTZ meant exclusively for export will not be allowed entry into the home market, but substandard scrap/waste etc., emanating from the KAFTZ units will be permitted to be taken out to the Domestic Tariff Area on certain conditions, on payment of appropriate duty.

Construction: The Development Commis- sion and the KAFTZ administration will render all assistance in the form of getting clearance of cement, steel, etc., to the units for construction in the Zone.

Microfilm Edition of Eastern Economist

EASTERN ECONOMIST, for the benefit of its readers, both at home and abroad, has made arrangements with University Microfilms of Ann Arbor, Michigan, USA, for the latter undertaking the reproduction of *Eastern Economist* on microfilm and through xerographic copies.

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ECONOMIST

FEBRUARY 28, 1975

ome help,
some risk

THERE ARE, to be sure, kind words to be said about this central budget. There is not to be any change in the rates of income tax on personal incomes which were reduced last year in the expectation that this would to better tax compliance, the Finance minister's reason being that the policy pted then "should be given a fair trial." Considering the size of the budgetary gap Finance minister has had to cope with, this decision will be greeted with relief or n hailed for both its boldness and wisdom.

In the corporate sector, in computing the taxable income of non-banking non-ancial companies, only 85 per cent of the interest paid by them on public deposits is be allowed as expenditure for tax purposes. This balances the levy of the tax under Interest-tax Act of 1974 on interest received by scheduled banks. The investing blic's preference for this class of deposits, which yield substantially attractive urns, has not exactly been helpful to the growth of bank deposits, while it has also to a lessening of interest in investment in units or equity shares and other capital ck of companies. This is to be taken with the announcement in the budget speech at the Restriction of Dividends Act is to be amended in order to allow companies declare dividends in excess of the various limitations laid down in the Act provided e deferred dividend is paid in two annual instalments but without interest when the esent Act expires. It is just possible that there may now be some marginal improvement in the climate in the capital market.

The minister has given an assurance which, if implemented in a dynamic manner, uld be of major importance in promoting new investment in capital-intensive industries. He has said that the implications of the steep escalation in capital costs are being udied by a high-level committee and that the report of this committee, when received, ould be quickly examined in order to determine what suitable fiscal concessions or w pricing policies are needed to stimulate investment in the concerned area. Meanhile, the tax holiday concession is to be extended by a further period of five years yond April 1, 1976. Inter-corporate dividends derived by domestic companies or w companies engaged in the manufacture of fertilizers, pesticides, paper and cement re to be exempted from income tax in order to canalise corporate savings into these igh priority industries. The pesticides industry is also to receive initial depreciation llowance at the rate of 20 per cent of the cost of machinery and plant which is now ing granted to certain priority industries. Investments in equity shares of new companies engaged in priority industries are to be exempt from wealth tax for a period of five ears. The budget gives some attention to the promotion of savings by increasing the deuction allowed under the Income-tax Act in respect of life insurance premia or contriutions to provident funds. An allied proposal relates to an incentive bonus scheme for ncouraging government employees not to make frequent withdrawals from government rovident funds.

The above package of measures is intended to cater for the expectations aroused n the country during pre-budget weeks that the central budget this time would be savng-cum-investment oriented. That the total burden of the tax proposals is falling eavily in the area of indirect taxes is however liable to be viewed with a good eal of concern. The aggregate additional tax revenue, budgeted for at Rs 239 rores, is not a small addition to the marathon tax effort made during the current fiscal ear. The pity is that the Finance minister has still been compelled to provide for deficit financing of the order of Rs 225 crores. Quite unreasonably he has argued that his budgetary gap is a modest one and he has somehow persuaded himself that the suply of food and industrial consumer goods is likely to improve to such an extent in the udget year that inflationary pressures will not be accentuated despite the additional xcise taxation and the deficit financing written into the budget. Mr Subramaniam, learly, is taking risks with price stability.

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Financing state plans

STATE governments are busy finalising the estimates of Plan outlays for 1975-76 and their exercises so far with the Planning Commission indicate that the allocations for different schemes can be increased only if the states concerned can raise additional resources. The new deputy chairman of the Planning Commission, Mr. P. N. Haksar, has made it clear to the chief ministers of various states that central assistance will be pegged at the level of 1974-75 and fresh efforts will have to be made to mobilise additional resources if bigger Plans are to be implemented. The state governments however have been unwilling to impose additional taxes in view of the forthcoming elections or the difficult political situation in particular regions. Nevertheless, Bihar has proposed new taxes to fetch over Rs 20 crores in the next year. Even so, there is a large uncovered deficit and it remains to be seen how the finances will be improved.

There are of course some other states like Punjab and Andhra Pradesh which have found it possible to raise Plan outlays without imposing additional taxation. The experience of Andhra Pradesh particularly is greatly heartening as in a period of two years there will be a more than doubling of Plan expenditure. In 1973-74 the outlay on various schemes was only Rs 81.28 crores while the budget estimates for 1975-76 have provided an amount of Rs 153.68 crores against Rs 142.33 crores in the revised estimates for 1974-75. In the budget estimate for the latter year the allocation was only Rs 128.39 crores. The state government has thought it desirable to raise the allocation to Rs 153.68 crores even though the Planning Commission had suggested an outlay of only Rs 131.36 crores.

The Finance minister of Andhra Pradesh, Mr P. Ranga Reddi, has felt compelled to increase development expenditure as power and irrigation schemes alone will require Rs 92 crores even without taking into consideration the extra funds required for developing the Nagarjunasagar area. Andhra Pradesh like Karnataka, Punjab, Madhya Pradesh and Uttar Pradesh is in the awkward position of having no dearth of worthwhile schemes. But these states cannot step up the tempo of Plan outlay without larger central assistance or borrowing from outside agencies. Punjab of course is already having a high level of development expenditure because of a prosperous agricultural sector. It is only anxious that the pace of economic development should be hastened as many industries have yet to be promoted. The doubling of development outlay by Andhra Pradesh in a short period has of course been possible only because of a low base in earlier years.

What is however impressive is the remarkable improvement in the state's finances and the implementation of Plan schemes with sizable savings out of current revenues. The revenue receipts have recorded a rise of nearly Rs 50 crores in the past two years and it is perhaps the hope of the state Finance minister that revenue collections in 1975-76 will improve significantly. Otherwise he would not have left uncovered a negative closing balance of Rs 20.33 crores even after utilising an opening credit balance of Rs 4.83 crores. It is expected that fresh central assistance will be forthc ming for some projects and with a large borrowing and better revenue collection the overall deficit can be eliminated.

Andhra Pradesh has suffered grie ously from the slow implementation schemes in earlier years even though had ample natural resources. The pr occupation with the execution of th Nagarjunsagar project, the delays i implementing the Pochampad project an the failure to lay proper emphasis o creating new generating capacity fo improving power availability have bee mainly responsible for the unimpressiv progress in many directions until recently The problems now are of an entirel dfferent character. The Nagarjunasaga project's irrigation potential has bee developed so far only to the extent of 5 per cent and it has been indicated tha another one million acres can be provi ded with irrigation facilities by 1978-7 if an expenditure of Rs 100 crores ca be incurred. The Pochampad projec has also a great potential while the hug barrage at Dowleshwaram in the lowe reaches of the Godavari has to be comp letely reconstructed. The Internationa Development Association will no doub be providing the required loans. Eve so, the development of land in the com mand areas will involve heavy expendi

EASTERN ECONOMIST

Budget Number

The next issue of EASTERN ECONOMIST dated March 7 will be a special number devoted to a discussion of the central budget. As in the previous years, this Budget Number will present an analysis of the budget proposals and a study of the budget documents in the larger economic context as well as in specific details. This issue will include relevant budget literature and statistics. Priced at Rs 10 per copy (postage extra) this special number will be on sale with leading booksellers and news agents. Copies may also be had from the office of the *Eastern Economist Limited, Uco Bank Building, Parliament Street, New Delhi-110001*. It will however be available to regular subscribers without extra payment. New subscribers, who remit the annual subscription of Rs 100 before April 30, 1975 will also be entitled to receive a copy of this Budget Number free of charge.

ure and it has to be examined how the equired resources will be raised in a different manner as Karnataka and Orissa may have also similar problems.

The Andhra Pradesh government has proposed that Command Area Development Authorities should be formed for implementing the construction of canals and distributory systems and also prepare land for being brought under cultivation. While the central government must find ways and means of providing the necessary assistance in respect of projects which will yield quick results, the state governments too should not find it difficult to mobilise resources from the local population. Andhra Pradesh particularly has benefited by a big increase in agricultural income and many regions have prospered with the completion of new irrigation projects. The population in these regions should not find it difficult to provide Rs 15-20 crores required for the creation of new irrigation facilities or the development of land. If this amount can be found annually, with the issue of new bonds carrying an attractive rate of interest without any tax being deducted at source, the problem of resource mobilisation would not be so difficult as it is now.

The rural population directly benefiting by new irrigation and rural electrification schemes should be agreeable to provide funds to some extent for implementing these schemes. It is only now being recognised that apart from irrigation projects, lift irrigation schemes also have a vital role to play in stabilising agriculture. The advantage of lift irrigation has been so well recognised that the state electricity board has been experiencing difficulty in providing new connections for energising pumpsets and it is reported that nearly 600,000 applications are pending disposal. It will therefore have to be explored how rural prosperity can be tapped for financing irrigation and rural electrification schemes. The agriculturists should not have any objection to lend out of their savings liberally as they are not being asked to pay additional taxes.

The power projects of course are on a different footing. Andhra Pradesh is fortunately having a number of hydel and thermal schemes which will be resulting in an increase in its generating capacity by nearly 1500 M.W. in the current Plan period. But the tempo of implementation cannot be raised to the desired extent unless there is a pooling of resources of the states in the southern region and central assistance also is forthcoming more liberally. Many hydel projects have been unduly delayed because of inadequacy of resources and it was complained only recently by the chairman of the Andhra Pradesh Electricity Board that the cost of these projects had more than doubled because of these delays. Some major decisions have to be taken by the central government in regard to the grant of special assistance for projects which can have beneficial effects on a region and not merely a state. The construction of mammoth pithead stations as at Ramagundem and Bhadrachalam will of course have to be central responsibility. Andhra Pradesh's new experience has therefore clearly emphasised the need for an entirely new approach to planning and no worthwhile project should be allowed to suffer simply because there is paucity of financial resources.

Plight of coal consumers

Mr K.S.R. Chari, secretary of the Coal Department of the union Energy ministry, said in Calcutta recently that there was an imperative need to raise the price of coal because of the increase in the wages of workers and the higher cost of equipment. He estimated that the coal price increase might range between Rs 15 and Rs 20 a tonne and remarked that this would lead to greater consumer awareness of the quality of coal that they use.

But are not consumers already acutely aware of the quality of coal? Coal consumers have been frequently complaining about its quality in the last two years. It was expected that the situation would steadily improve after the industry had been able to get over the difficulties that arose due to its sudden nationalisation. But, far from improving, the quality of coal seems to have further deteriorated. In January 1974 Mr K.Z. George, president of the Coal Consumers Association of India, said that the greatest casualty of nationalisation was the quality of coal supplied to the consumers. But New Delhi did not seem to have taken serious notice of this complaint. This will be clear from the speech of Mr George at the annual meeting of the association held in Calcutta on January 30 this year. Mr George has not only reiterated the complaints he had made last year but has added some fresh ones against the working of the coal industry.

Consumers in both the public sector and the private sector have been put to serious difficulties due to the poor quality of coal. The blast furnace production is estimated to suffer by about three per cent for every one per cent increase in the ash in coal. Power plants have been damaged and their fuel costs have gone up by 45 to 56 per cent. The percentage of inferior quality coal supplied to the railways between February and August 1973 rose to 9.1 per cent from 4.2 per cent in the similar period prior to nationalisation. A fertiliser and chemical unit is said to have incurred a loss of Rs 1.3 million during the 18 months' operation after the nationalisation of coal. Other industries like cotton textiles and cement have also been put to serious loss.

Apart from poor quality, various malpractices like underloading by collieries and loss in transit have also been causing great hardship and heavy loss to major consumers. Surveys have revealed shortages up to 11 tonnes in 22 tonne wagons and 19 tonnes in 56 tonne wagons. Mr George has suggested that the CMA and the BCCL should be immediately combined into one organisation and that a coal audit section should be set up reporting directly to its board of directors. This section is to be entrusted with the responsibility for the correct assessment of production, despatch and stocks. There should also be an inspection wing to check the irregularities and to ensure that consumers get the right type of coal.

But even if the above suggestion is implemented, how far will it be able to work satisfactorily? Mr George himself has referred to "workers' intransigence, discontentment among the managerial staff, low tempo of work, widespread corruption, irregularities in the purchase of stores and lack of proper inventory control". In 1973-74, coal worth Rs 1.9 million was said to have been short in the stock. It is estimated that stock shortages have been often as high as 50 to 60 per cent at colliery depots. Unless therefore the government is able to bring about some discipline and devotion to duty at every level of coal administration, the amalgamation of the CMA and the BCCL and the formation of the Coal Audit Section will serve no useful purpose.

Coal consumers are faced with other serious problems for which no solution seems to be in sight. Coal prices have already increased sharply since nationalisation and, as mentioned earlier, there is a prospect of further increase in the near future. The coal price index is estimated to have gone up by 50 per cent since January 1973 and, in addition, consumers have had to pay transport and handling charges of the order of Rs 1.20 for non-coking coal and Rs 3 for coking coal. The government has been keen to control inflation but seems oblivious of the impact of costlier coal on the general level of prices. The increase in the minimum wage by Rs 100 per month for 600,000 coal miners since the beginning of the current year is calculated to involve an additional burden of nearly Rs 100 crores for the collieries. What is more unfortunate is that consumers have to suffer because of "the arbitrary price demand by the local officers" in the absence of price lists for the various collieries or seems, inordinate delay in the receipt of coal bills, and the lack of uniformity in rules and procedures between different regions. In this chaotic situation, is it surprising if the public is unable to get reliable statistics about various aspects of coal production and distribution?

Mr George has effectively refuted the claim of the government that there was a record production of coal of 79 million tonnes in 1973-74. He said that there is "a wide gap between the reported production and its actual availability" and has pointed out how consumer industries, including the railways, have been severely hit due to the persistent shortage of coal. Here are a few specific instances. The cement industry of Tamil Nadu received only 30 per cent of its requirements of coal, estimated at 83,000 tonnes, from April to June 1974. India Cements had to close down six out of their eight kilns and Chettinad Cement produced only one-third of their capacity. At Madukarai ACC had to shut down three out of their five kilns and Dalmia Cement could work only two out of their three units. Sone Valley Portland Cement, though located very close to the coal fields, suffered loss in production, due to the scarcity of coal estimated at 12640 tonnes valued at Rs 1.39 million, 2094 tonnes valued at Rs 230,000 and 1728 tonnes valued at Rs 205,000 in April, May and June respectively. The shortage of coking coal has also been causing loss in production in the steel industry. The output of coking coal was 16.75 million tonnes in 1971-72, 16.62 million tonnes in 1972-73, 15.77 million tonnes in 1973-74 and 7.12 million tonnes in 1974-75 (April to August).

Problems relating to coal production and distribution therefore have to receive much greater attention from New Delhi. The Coal Consumers' Association had made many useful suggestions such as preparation of national coal roster giving actual requirements of coal for each unit in quantity and quality, computerisation of the railway allotments for coal, expeditious installation of central loading stations, establishment of washeries for non-coking coal, and linking wages to the overall national productivity. The Association has also urged the government to undertake a comprehensive conversion programme to change wherever possible oil using units with coal, and to carry out effective research to develop new energy sources. The demand for coal is estimated to go up to 200 million tonnes by 1983-84 and 365 million tonnes by 1990-91. It should be possible to meet this demand by proper planning, restructuring of mines and introduction of modern mining techniques. But the effective implementation of these schemes needs a much higher degree of efficiency and sincerity on the part of workers and officers in the coal industry than what we have seen so far.

Eastern Economist 30 Years Ago

MAR. 2, 1945

There is only one test by which Sir Jeremy Raisman's valedictory budget will be judged by this country: How far does it prepare India's war-ravaged economy to meet the difficult and perilous period of reconversion and transition from war to peace which is in prospect, without prejudice to the immediate needs of the war? Judging by this test we have no hesitation in pronouncing it an unqualified and unmitigated failure. For the needs of the war it provides adequately, even excessively. In fact the excess of Rs 96 crores in defence expenditure over the earlier estimate in 1943-44 and of Rs 130 crores in 1944-45 on the ground that war was fought on Indian soil is suspicious in the light of a higher figure for 1945-46, when a decline is to be expected —a matter which the legislature will do well to enquire into. But, for the imperative needs of reconversion the budget certainty does not provide. It abounds in vivid descriptions of the economic events ranging from Chine to Peru. It is rich in wholly irrelevant and fallaciously argued excursions into the field of economic theory. But it fails to take notice of the inexorable needs of the dangerously deteriorated economic situation of this country. Even the most sympathetic appraiser of the retiring Finance Member's record will scan his speech in vain for one bold stroke of constructive effort. Despite his claim to the contrary, Sir Jeremy has managed to succeed remarkably well in aggravating the difficulties which this unfortunate country will have to face after the war.

A plan for better seeds

N JUNE 1968 the Seed Review Team minded the union government that e seed industry had to be organised n highly efficient lines to ensure a suc- sful agricultural policy in this country. is indeed sad that this important ad- ce did not recieve the attention it served and the development of seeds was lowed to pursue an unplanned path. here were only few notable successes ich as the establishment of Tarai Deve- pment Corporation for the development nd multiplication of high yielding arieties of seeds.

As an important part of the intensive ltivation in the country, high yielding arieties of seeds were utilised in 9.2 illion hectares in 1968-69 and such area radually increased to 15 million hecta- es by 1970-71 and about 17 million ectares by 1971-72. The target for 978-79 has placed such area to be around 0 million hectares, which means that ut of a total of 140 million hectares of ultivated land in this country, nearly 0 per cent would use high yielding varie- ies by 1978-79. It also means that a large art of the irrigated area would get good arieties of seeds.

To meet this increasing demand for eeds the union government has aunched a National Seeds Project with the main task of building up a network of state seeds corporations n all the states to organise seed produc- ion agencies with the active participation of National Seeds Corporation, agricul- ural universities, State Farms Corpora- ion, agro-industries corporations and the present seed growers.

The National Seeds Project has also aken up the task of the production of oundation seeds through the agricultural universities and the State Farms Corporation of India and arranging for independent quality inspection. It will also build up national and state seed certification system, independent of seed production agencies. National and local buffer stocks of seeds for use in emergencies will also be created.

Maintenance of quality through the provision of technical expertise for both production and inspection can be ensured only if the seed production programme is taken up in compact areas. In this way fruitful participation of agricultural universities can be sought, as these institutions have the largest concentration of technically qualified personnel. In other words, the proposed state seeds corporations are likely to develop around the agricultural universities and state farms. The organisation of seed production in such compact areas will also facilitate the setting up of economic-sized processing units. From the experience of the Tarai Development Corporation's operations, it has been estimated that a processing plant with a capacity of 20,000 tonnes per annum would be the ideal size.

The state seeds corporations will be organised more or less on the lines of the Tarai Development Corporation which has been established with 40 per cent shareholding of the G. B. Pant Agricultural University, 40 per cent by the various growers and the remaining 20 per cent by the National Seeds Corporation. The Tarai Develoment Project was also financed by the World Bank in 1969.

From the present indications it appears that the states farms corporations, agricultural universities, state agro-industries corporations, state governments and individual seed growers will have shares in each of the state seeds corporation. In those states where government units have already been set up for seed production, a restructuring of the share pattern will be necessary.

Since the project has the financial backing of World Bank—Rs 120 crores out of a total of Rs 240 crores—a special representative of this international body has been deputed to work with the National Seeds Corporation for two months up to the end of March 1975 to finalise the National Seeds Project. The World Bank will receive the report not later than October, 1975, and the final shape of the project will emerge towards the end of this year. It will be determined largely by the facilities available in each state of agricultural universities, state farms corporation and any other seed growing units to produce and process the required quantities of different generations of seeds.

A team of experts headed by the chairman of the National Seeds Corporation and State Farms Corporation of India has been named to assist the state governments in the formulation of the National Seeds Project. The team includes specialists from the Indian Council of Agriculture Research, agricultural universities and some officials including the chairman of Agro-Industries Corporation.

It is quite likely that the team will not find it hard to locate various seeds projects. The required finance would also be available from the World Bank as well as the union government. But the significant part of the project will be the availability of technical know-how for the various state seeds corporations. Moreover, a regular schedule of progress will have to be adhered to if the huge investment of the order of Rs 240 crores is to be justified.

It will also be essential to make full use of the present seed production areas with minor alterations in order to save considerable time and expense. In that case the insistence by the project committee that the seed development area should be compact may come in conflict with the present system of grow ing seeds in small blocks in Punjab. But this problem may not come up in many other states.

The state seeds corporations are likely to have 12 to 15 directors each and will have their chairman and managing direc tors. Those who are responsible for the success of the project will have to guard these corporations against becoming the refuge of influential public men and select such people to man these corporations who can deliver the goods.

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FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Railway Traffic and Finances • Power Generation

HE CLARIFICATIONS provided by the ailway Board in regard to the next ear's railway budget, which was resented to Parliament last week y Mr Kamalapati Tripathi, suggest hat the estimted surplus of Rs 23.03 rores, after taking into consideration he Rs 39 crores yield expected from the pward revision in freight rates for foodrains and iron ore and manganese ore neant for export, may turn into a substantial deficit. The Financial Commissioner of Railways, Mr K.S. Bhandari, old newsmen at the customery briefing oon after the presentation of the budget hat the budget estimates did not include any provision for additional dearness allowance payable to the railway staff beyond the instalments which had becomo due when the consumer prices ndex reached the level of 272 points. Beyond this level, already four instalments of dearness allowance have become due in regard to which discussions are in progress between the government and its employees.

impact of pay hike

There can be no doubt that these discussions will result either in an increase in the emoluments of government employees or in an enhancement of their dearness allowance. The impact of this on railway finances next year would be at least Rs 100 crores. Further, although some allowance has been made in the estimates for increased costs of coal and other material inputs of railways, the provision made may not suffice if the demand of the nationalised coal industry for a sharp increase—nearly Rs 20 per tonne—in coal prices is acceded to. The budget estimates are understood to have provided for not more than Rs 7 per tonne hike in coal prices. Taking these two factors into consideration, the estimated surplus of Rs 23.03 crores may turn into a deficit of nearly Rs 100 crores.

But this does not imply that railways' financial position is not looking up. Owing to sizeable deficits in the recent past, the railways have been borrowing substantial amounts from the central exchequer to meet their dividend liability. By next year the railways would be owing to the central exchequer nearly Rs 396 crores. But this borrowing trend is envisaged to be ended thereafter. The claim of the Railway minister that the end of the tunnel was in sight, therefore, does not appear to be exaggerated.

conservative estimate

It is encouraging to note that in estimating originating goods traffic next year, the Railway Board has been quite conservative, even though on the face of it, the estimated increase in traffic from 192 million tonnes to 210 million tonnes may appear to be impressive. The breakup of the increased goods traffic estimates, some details of which are available, shows that the Railway Board expects increase in traffic in regard to the following major items by the tonnages indicated against them: (i) coal—four to five million tonnes; (ii) raw materials for steel plants—about 1.25 million tonnes; (iii) pig iron—one million tonnes; (iv) iron ore for export—four million tonnes; (v) cement—500,000 tonnes; (vi) foodgrains—750,000 tonnes; (vii) fertilisers—500,000 tonnes (viii) petroleum products —one million tonnes; (ix) other goods—four million tonnes.

The concerted efforts being made to raise coal output from about 88 million tonnes this year to 98-100 million tonnes next year should indicate a much higher coal traffic than has been envisaged by the Railway Board. The Railway Board, however, is confident that even if this traffic offering exceeds its estimate the railways will be able to cope with it; the estimated increase of four to five million tonnes has been deliberately kept low so as to make the overall estimate realistic. Similarly, the movement of raw materials for steel plants should be significantly larger as the ministry of Steel is planning for nearly a million tonnes more steel output next year. This cannot be termed as beyond expectation since the Bokaro steelworks, which will be yielding by the end of next month nearly 30,000 tonnes of slabs, will improve its performance a great deal next year. Significant increases are also being planned in the outputs of the other five integrated steel plants at Jamshedpur, Burnpur, Bhilai, Durgapur and Rourkela. The recent production trends of these units indeed have been gratifying. The estimate about the increase in cement traffic too appears to be on the low side.

The sharp increases in iron ore traffic for export as well as "other goods" traffic, of course, may create doubts about the budget estimates. But these misgivings are hardly warranted. The iron ore traffic estimate, it is explained, is based on firm commitments. With the improvement in the general tempo of economic activity, an additional four million tonnas traffic under the head "other goods" should not be beyond realisation. In fact, already with the road transport having become quite expensive, the railways are attracting a good deal more high-rated traffic than they were doing till last year.

passenger traffic

The estimate of passenger traffic too by no means can be termed off the mark as till the fall in this traffic during the strike by railwaymen in May last and subsequently due to curtailment of trains because of shortage of loco, coal, the growth in passenger traffic had been quite encouraging.

Apart from the above, a very significant point to be noted in regard to railway finances is that with the proposed changes in the freight rates for foodgrains, the railways are now at least breaking even on almost all goods traffic. As Mr Kamalapati Tripathi has himself observed, the expected movement of 15.5 million tonnes of foodgrains next year would have caused to the railways a loss of Rs 35 crores. This will not only be wiped out, but there will also be a surplus of about Rs 50 lakhs as a result of bringing foodgrains within the framework of the standard freight structure and placing the bulk of them—wheat, rice and jowar—in the second lowest classification of freight. Foodgrains were the only major item after the last August's changes in the freight structure, on which the railways were charging very concessional freight so far as the domestic market was concerned. As regards exports, with the withdrawal of the concessional freight for the movement of iron ore and manganese ore, there is no worthwhile exportable item left on which any hidden subsidy will henceforth be provided in the form of low freight rate.

restructuring freight

With the proposed changes in the freight rates for foodgrains and iron ore and manganese ore meant for export, the railways have practically completed the task of restructuring its goods traffic charges. Unless its operational costs go out of gear again due to some unforeseen circumstances, no further major changes may now be expected for at least two or three years in the freight rates. With the revival of economic activity, increased goods traffic should help the railways in throwing up sizeable surpluses in the coming years.

So far as passenger traffic is concerned, the fares for non-suburban traffic are now considered to be quite satisfactory. As a matter of fact, this is the reason why passenger fares have not been raised by Mr Kamalapati Tripathi. The major operation on which the railways now incur a loss is the suburban passenger traffic. Though no specific figure is available about this loss, it is understood to be accounting for an overwhelming proportion of the so-called "social burdens" on the railways. Excluding nearly Rs 23.65 crores expenditure on the railway protection force, approximately Rs 3.97 crores on account of contribution of state governments for order police, Rs 33.53 crores on health, medical and welfare services, Rs 5.23 crores on educational assistance to the children of railway employees and Rs 11.3 crores by way of subsidised housing to employees, the social burden on railways during the current year is estimated around Rs 203.91 crores. Of this, freight concessions on export trade relief measures, etc., amounted to Rs 4.80 crores.

low-rated commodities

The low-rated commodities—foodgrains fodder, fruits and vegetables, wood and charcoal, gur, shakkar and jagree, oilseeds other than groundnuts, ores other than iron ore, sugarcane and organic manures —accounted for another Rs 45.61 crores. The remaining burden of Rs 153.50 crores was on account of coaching services—suburban and non-suburban passenger traffic (primarily second class traffic), parcels, luggage etc. For correctly appreciating this loss, allowance has to be made for the changes effected in August last in the railway fares and freight rates. As a sequel to these changes and the proposed increases in the freight rates for foodgrains and iron ore and manganese ore for export, no loss is expected next year on most of the railway movement, except the suburban traffic.

Incidentally, the next year's Railway Plan expenditure has been kept lower than even estimated expenditure incurred this year. Next year this expenditure will be of the order of Rs 328 crores, as against Rs 343 crores this year. The curtailment of expenditure on the Plan projects is understood to have been done in view of the revisions being effected in the planned programmes of the other sectors.

* *

Power supply position next year should improve considerably in Maharashtra, Gujarat, Uttar Pradesh and Rajasthan as generation capacities in these states are expected to be augmented considerably. The total addition to power generation capacity in the country up to March 31, 1976, is anticipated to be 2684.7 MW. The addition to capacity in Maharashtra will be of the order of 556 MW, in Gujarat 390 MW, in UP 525 MW and in Rajasthan 235 MW. In Kerala too generation capacity is expected to increase by 260 MW.

The following are the power projects expected to be completed during 1975-76:

Name of the project	Capacity (MW)
Northern Region	
1. Faridabad Extension Unit 2 (Haryana)	1x55=55
2. Bhatinda Unit 2 (Punjab)	1x110=110
3. Chenani Unit 5 (J & K)	1x4.6=4.6
4. Yamuna Stage II (Chibro) Units 3 & 4 (UP)	2x60=120
5. Obra Thermal Extn. Unit 3 (UP)	1x100=100
6. Yamuna Stage IV Unit 2 & 3 (Kulhal) (UP)	2x10=20
7. Ramganga Unit 1 & 2 (UP)	2x60=120
8. Panki Thermal Extn. Unit 10 (UP)	1x110=110
9. Harduaganj Thermal Stage VI. Unit 1 (UP)	1x55=55
10. RAPP (Atomic) Unit II Central (Rajasthan)	1x235=235
Western Region	
1. Ukai Hydro Units 3 & 4 (Gujarat)	2x75=150
2. Ukai Thermal Units 1 & 2 (Gujarat)	2x120=240
3. Bhatgar Hydro (Maharashtra)	1x16=16
4. Koradi Thermal Units 3 & 4 (Maharashtra)	2x120=240
5. Koyna Stage III Hydro Units 1,2 & 3 (Maharashtra)	3x80=240
6. Vaitarna Hydro (Maharashtra)	1x60=60
Southern Region	
1. Lower Sileru Hydro Unit 1 (Andhra Pradesh)	1x100=100
2. Idikki Hydro, Stage I, Unit 1 & 2 (Kerala)	2x130=260
3. Sharavathi Hydro Unit 10 (Karnataka)	1x89.1=89.
4. Ennore Thermal Extn. (Tamil Nadu)	1x110=110
Eastern Region	
1. Balimela Hydro Units 5 & 6 (Orissa)	2x60=120
2, Santaldih Thermal Unit 2 (West Bengal)	1x120=120
North Eastern Region	
1. Gumti Units 1 & 2 (Tripura)	2x5=10
Total :	2684.7

POINTS OF VIEW

Taxation of net wealth in India

Rajendra Rai

In a developing economy such as that of India one of the basic problems is mobilisation of resources to meet the developmental expenditure of the government. Taxation plays a vital role in mobilising resources and attaining the various socio-economic objectives of the state. The prime duty of a welfare state is to bring about equitable distribution of wealth and income, discourage concentration of wealth and see that various categories of citizens contribute their due shares to the economy. These objectives are not attainable in the absence of proper and efficient direct taxation, for commodity taxation has little impact on the members of the affluent society.

The various socio-economic objectives are not fully met by taxing income alone which is the major form of personal taxation in most of the countries including India.[1] Judging from the income-tax returns of the number of the persons and the amount of income assessed in the upper income groups, it becomes clear that income-tax, by itself, will not be sufficient to bring about any redical changes in the distribution of income and hence of wealth, on account of considerable evasion and avoidance of income-tax that take place. The Direct Taxes Enquiry Committee (Wanchoo Committe) had estimated that, "the extent of income-tax evaded during 1968-69 would be of the order of Rs 470 crores."[2] Evasion on such a considerable scale has reduced the elasticity and revenue productivity of incometax.

increasing revenue

One method of increasing revenue is to enhance the existing rate and the other is to check the anomalies that exist in the income-tax system. Since there is hardly any scope of increasing the tax rates, the only alternative would be to check ,the anomalies that exist in the present system of income taxation. As it is very likely that evaded income may go to enhance the wealth of the evader, one of the remedies lies in the imposition of an annual tax on wealth, "Theoretically, there is something to be said for an annual tax on total wealth at a low rate as a complement to the income-tax (and estate duties). Such a scheme would have much to commend itself as a better balance in the incidence of taxation among individuals would be secured by it than through taxation of income alone particularly in view of evasion in income. tax[3]".

The theoretical arguments in favour of an annual wealth tax are many, the most important being based on equity considerations. Possession of wealth, even if it yields no income, confers certain advantages on its possessor by enhancing his status in the society. This is well supported by the vivid illustration[4] of Prof. Kaldor in which the begger and the hoarder have zero income but possess different taxable capacity. Evaded money is generally invested in non-income-yielding assets. As such, to check evasion and bring about equity among tax-payers, the income yielding and non-income yielding assets should be taxed and this is best served by an annual tax on wealth.

idle wealth

In the absence of wealth tax, non-income yielding assets would remain idle. Therefore from resource allocations point of view, wealth-tax would stimulate the asset holders to utilise their taxed assets in the most productive manner. Further, "the information collected regarding assets and liabilites of individuals would also be of material use as a check on the accuracy of income, inheritance and gift reported by the tax-payers"[5]. Thus, to bring about equity among taxpayers, an annual wealth tax is preferred, for the taxation of wealth, is a more direct and comprehensive method of attacking the problem of wealth inequality than income-tax.

Imposition of the an annual tax on wealth in India was considered by the Taxation Enquiry Commission in 1953-54. Although, theoretically the commission was in favour of imposing an annual tax on wealth yet it refrained from recommending it on the ground that "the assessment and valuation of capital assets bristles with administrative difficulties which would, for the time being, appear to be decisive against the adoption of such a levy[6]". The question of imposition of wealth tax was again taken up in 1956 by Prof. Kaldor who recommended it for India.

tax on wealth

Let us now see the operation of wealth tax in India. The wealth tax came into force for the first time on April 1, 1957, and its extends to the whole of India. Assets held by Indian or foreign citizens in India are taxable. However, in the case of foreigners these assets are eligible for rebate of 50 per cent. Foreign assets in the hands of Indian citizens are subject to wealth tax but are eligible for rebate of 50 per cent of the average rate of tax on foreign wealth. Assets for wealth tax purposes include properties of every discription, movable or immovable, except those which have been specifically exempted under the Wealth Tax Act.[7]

When an annual tax on net-wealth was imposed in the country in 1957, the exemption limit was kept at Rs 200,000 for individuals and Rs 400,000 for Hindu undivided families. The tax was imposed on a graduated basis and the maximum rate of wealth tax of 1½ per cent was attracted on the net wealth exceeding Rs 2.2 million for individuals and Rs 2.3 million for Hindu undivided families. Companies were also subjected to wealth tax but were accorded special treatment in the case of losses and low profit margin. In case a company suffered a net loss and did not declare dividend in any year it was exempt from the tax. Shares held by a company in another company were also exempt from wealth tax. Certain companies like new industrial undertakings, banking, insurance and shipping companies were also exempt from wealth ax. However following the reforms in ompany taxation in 1959-60,[8] wealth tax on companies was abolished with effect from the financial year 1960-61.

From the assessment year 1959-60 the rates of wealth tax were increased by ½ per cent in each slab. By the Finance (No, 2) Act 1962, the rates of tax on the two highest slabs were increased from 1.5 per cent and two per cent to 1.75 per cent and 2.5 per cent respectively. The Finance Act 1964 slightly rearranged the tax rate slabs and reduced the exemption limit to Rs 100,000 and Rs 200,000 in the case of individuals and Hindu undivided families, respectively. As the capital market was in a state of depression, the Finance Act 1965 exempted from wealth tax those investments which formed part of the initial issue of equity capital made by a company after February 28, 1965. This exemption was made available for five successive years.

graduated basis

Further, to discourage excessive investments in urban properties, an additional wealth tax on a graduated basis was levied on the values of lands and buildings and rights therein situated in areas with a population exceeding Rs 100,000 From the financial year 1967-68, the rates of wealth tax came to be prescribed on a prospective basis as against the retrospective basis as applied formerly because in the eyes of the Finance minister, "the annual Finance Acts not only prescribe rates of tax but often provide incentives or disincentives in various directions. Such incentives or disincentives can obviously be meaningful only if they are applied prospectively.[9]" In the financial year 1968-69, the rate of tax was rearranged over Rs one million by ½ per cent.

A new feature of the 1969-70 budget was the bringing in of agricultural wealth such as agricultural lands and buildings under the purview of wealth tax. So far the exemption of agricultural wealth from wealth tax was of a historical origin and was not due to any bar under the Constitution on the competence of Parliament to legislate for the levy of wealth tax on agricultural wealth. This exemption had in fact "encouraged purchase of such land by the richer professional and business classes. While this has often acted as a spur to greater productivity in agriculture, there is no case in equity for taxing other productive wealth but exempting wealth in the form of agricultural land".[10] The exemption limit for agricultural wealth was kept at Rs 150,000. No sooner the tax was imposed on agricultural wealth it was challenged in the Supreme Court on the ground that Parliament had no right to legislate for the levy of wealth tax on agricultural land. However, the Supreme Court upheld the decision of the union government in its judgement and held that Parliament was a competent body to legislate for the taxation of net wealth including the capital value of agricultural land.[11]

Certain changes with regard to exemption in the rates of wealth tax have been made by the Finance Act 1971. The exemption limit of Rs 100,000 and Rs 200,000 in the case of individuals and Hindu undivided families are now available only where the net wealth is below this exemption limit. No exemption is available if the net wealth exceeds this limit even by a fraction. However, by way of marginal relief it has been provided that in case the net wealth exceeds the exemption limit by a small margin, the wealth tax payable would be lower of: (a) tax at the rate of one per cent on the amount of the net wealth, or (b) an amount equal to 10 per cent of the amount by which the net wealth exceeds the exemption limit. The rates of wealth tax were also increased drastically to eight per cent on the net wealth in the slab over Rs 1.5 million as against four per cent in the slab of Rs 1.5 million to Rs 2 million and five per cent on net wealth over Rs 2 million formerly.

tax avoidance

In view of the position that the institution of Hindu undivided families has been widely used for tax avoidance purposes, the Finance Act 1973 has restricted the tax benefit to be acquired through this institution by providing a separate rate schedule for wealth tax in the case of those Hindu undivided families in which one or more members have independent net wealth exceeding Rs 100,000. The rates of ordinary wealth tax applicable in the case of such Hindu undivided families will be as follows:

On the first Rs. 5,00,000 of net wealth ...2 per cent.

On the next Rs 5,00,000 of the net wealth ...3 per cent.

On the balance of net wealth, i.e. net wealth in excess of Rs. 10,00,000 ...8 per cent.

"In order to ensure that the effectiveness of the fiscal instrument for reducing disparties in income and wealth is not impaired[12]", the Finance Act, 1974. has drastically increased the rates of wealth tax. In the case of individuals and Hindu undivided families the rates of wealth tax on the slab of Rs 500,001 Rs. 10,00,000 has been increased from two per cent to three per cent and on the slab of Rs 10,00,001—Rs 15,00,000 from three per cent to four per cent. In the case of Hindu undivided families (with one member having independent wealth of Rs 10,00,000) the rates on the first slab has been increased from two per cent to three per ceht and on the second slab from three per cent to four per cent.

tax on farm house

Another change. that has been brought about by the Finance Act, 1974, is withdrawal of separate exemption in respect of farm house. An individual can claim exemption in respect of house or house property within the existing limit of Rs 1,00,000. Seperate exemption in respect of agricultural land has been withdrawn and linked with the exemption in respect of approved financial assets which are exempt up to Rs 150,000. Exemption in respect of non-commutable annuities has also been withdrawn.

The above account of the development under wealth tax clearly indicates that with the passage of time, the scope of tax has been gradually increased, exemption limit lowered, tax rate enhanced and certain anomalies removed. The total number of wealth tax assessees has also continuously shown a upward trend. Whereas the total number of wealth tax assessees was 28,270 on March 31, 1961, the number increased to 1,73.255 on March 31, 1971 and further to 2,03,655 on March 31, 1972 or by about seven times in eleven years. The revenue collected has also shown an upward trend. However, the trend of wealth tax receipts in general shows that the actual yield of the tax has been far less than the budget estimates as is clear from Table I.

Table I shows that except for the year 1968-69 and 1969-70 actual receipts under wealth tax have fallen ort of the budget estimates. The ble also shows that the revenue from ealth tax has generally shown an upard trend. But if we look towards the ercentage cotribution of wealth tax in otal direct taxes the percentage has one down. Whereas the share of wealth ax in total direct tax revenue stood at hree per cent in 1957-58, it went down o 1.7 per cent in 1970-71. This discreancy may be attributed to the slow disosal of wealth tax cases, inefficiency of ealth tax officers resulting in increasing rrears of assessments, avoidance and vasion of wealth tax, arrears, of collecion and incorrect valuation of properies.

ncreasing work-load

If we look towards the figures of isposal of wealth tax cases we find that, lthough the disposal has continuously shown an upward trend, it has not ept pace with the increasing work oad resulting in increasing arrears of vealth tax cases. Whereas the number of arrears of wealth tax assessments stood at 15,499 in 1961-62, the number increased o 74,232 in 1966-67 and further to 1,61,343 in 1970-71. Yearwise break-up of the arrears at the end of 1970-71 indicates that of these 1,61,343 pending cases there are 9,241 cases which relate to 1965-66 and earlier years. Although there are instructions that a case should normally be finished within two years of the filing of the wealth tax return by the taxpayers, these pending assessments delay the realisation of wealth tax revenue. The approximate amount involved in these 161,343 cases is Rs 1.425 million.

Inefficiency on the part of wealth tax officers is also responsible for the low productivity of wealth tax in our country. This inefficiency is clearly evident by the fact that during test-audit of assessments in 1970-71, short levy of tax of Rs 6.913 million was noticed in 4734 cases. The under-assessment of tax of Rs 6,913 million was due to mistakes categorised broadly under the following heads.

TABLE 1

Wealth Tax Revenue

(In million of Rs)

Year	Budget estimates	Actual receipt
1965-66	135.0	120.6
1966-67	140.0	107.3
1967-68	120.0	107.0
1968-69	110.0	111.1
1969-70	120.0	156.2
1970-71	180.0	157.1
1971-72	300.0	251.4
1972-73	430.0	359.4
1973-74	430.0	400.0 (Revised)
1974-75	400.0	—

	No. of items	Tax in million Rs.
Avoidable mistakes involving considerable revenue	1442	1.193
Omission to levy or incorrect levy of additional wealth tax	67	0.136
Incorrect exemption and reliefs	692	05.04
Escapement of wealth from tax	921	05.04
Incorrect Valuation of property	511	06.26
Omission to leavy or incorrect levy of penal interest/penalty	761	3.334
Other lapses	340	06.35
Total..	4734	6.914

One instance mentioned in the audit report reflects the carelessness of wealth tax officers. The assesses did not return the value of their interest in the firms in which they were partners in the wealth-tax returns filled by them for the assessment year 1964-65 to 1969-70. The assessing officer also did not include the value of their interest in the net wealth though the information was available in the income-tax records of the three assessees. This resulted in escapement of wealth of Rs 1,15,449 from levy of tax[14].

However, we cannot put the whole responsibility of low productivity of the tax on administrative machinery. The taxpayers are to be blamed in part for the fictitious statements they furnish while filing wealth tax returns, thus creating extra burden on the part of wealth tax officers to find out the facts with limited resources and technical know-how at their disposal. Evasion and avoidance on a large scale is undermining the effectiveness of the tax.

Taxpayers adopt various means of evading and avoiding the tax. In order to escape wealth tax, transfers of properties in the name of minors is practised on a large scale. Although there is provision in Gift Tax Act to tap this transfer (by means of gift tax) its impact is very little. It does not go far enough either to meet the requirements of equity or to reduce the scope for avoidance which occurs through splitting of income and wealth among the members of a family.

a source of leakage

Avoidance of wealth tax is also practised through the medium of limited companies. "The exemption of companies from the levy of the wealth tax has led persons to buy or construct immovable properties through the medium of closely held companies. The attraction for having immovable properties in the name of such companies is all the more in bigger cities, not only because these properties fetch substantial income due to scarcity of accommodation but also because these escape proper wealth tax liability[15]."

The taxpayers are utilizing fully the various exemptions allowed by the Wealth Tax Act of 1957. The exemption are so numerous and substantial that taxpayers face no problem in decreasing their tax liabilities. In order to escape the tax the easiest method adopted is to invest the evaded money in the exempted assets.

The low yield of wealth tax is also due to the fact that even after the assessments are completed and wealth tax demand raised, the demand is not collected in time. This leads to arrears of collection. Figures indicate that arrears of wealth tax demand stood at Rs 120.1 million, in 68,173 cases as on March 31, 1971[16]. Out of these arrears, a demand of Rs 14.2 million was pending in 3,777 cases which related to 1965-66 and earlier years. One of the important reasons for these arrears of collection has been the tax stayed in appeal at various stages. For example, at the end of March 31, 1971 a sum of Rs 9.813 millions had been stayed in 580 cases at the various appellate stages.

Under-valuation of immovable properties poses a serious problem. Taxpayers decrease their tax liabilities by understating the exact value of the taxed properties. The Wanchoo committee is of the opinion that, "Evasion of direct taxes in our country is closely linked with the practice of undervaluation of properties by taxpayers, whether in the transfer documents relating to immovable properties, or in their returns of net wealth, or when explaining the source of cost of construction[17]." The taxpayers are encouraged to reduce their tax liabilities by understating the exact value of their properties, just because of the fact that no hard and fast rules exist to determine the value of properties. Valuation officers are faced with the difficulty of valuing the property for which market quotations are not available. For wealth tax purposes, the value of assets, other than cash, is generally taken to be the price which, in the opinion of the wealth tax officers, it would fetch, if sold in the open market on the valuation date.

Difficult valuation

Correct valuation of value of shares can be arrived at as the figures can be obtained from the stock exchange, but exact valuation becomes very difficult in the case of immovable property because the wealth tax officer would not benefit much by taking the same price of other immovable assets in that locality on account of the general practice of undervaluation of properties. It is a sorry state of affairs that the wealth tax officers have also shown negligence about the correct valuation even after the report of the approved valuers was available. In one case "for the assessment year 1968-69—the assessee filed a valuer's report which indicated the value of the properties as Rs 6,05,425. Adopting the value as Rs 6,05,425 the wealth tax assessment for the year 1968.69 was completed in November 1968. No steps, however were taken to reopen the earlier assessment rectifying the under-valuation of the properties in accordance with the board's instructions, till November, 1969 when the omission was pointed out in audit[18]."

It is, therefore, desirable that the anomalies in the operation of wealth tax should be minimized at the earliest to make the tax productive. The number of wealth tax officers together with the complementary staff should be considerably increased to boost the disposal of wealth tax cases and thus minimize the arrears of assessment. The wealth tax officers should be instructed by the Central Board of Direct Taxes to act with desired caution while finalizing the assessments. To check avoidance and evasion of wealth tax, suitable amendments should be made in the Wealth Tax Act to close the loopholes that have been noticed so far.

To check under-valuation of properties by taxpayers, the Wanchoo committee recommended for the acquisition of undervalued properties by the government. It is happy to note that the Taxation Laws (Amendment) Act 1972 (with effect from November 15, 1972), provides that "any immovable property, including agricultural land (whose fair market value exceeds Rs 25,000) which is transferred on or after the date will be liable to acquisition by the central government if its fair market value exceeds the consideration declared in the transferred deed by more than 13 per cent[19]". No doubt this measure will check under-valuation of properties to some extent for the fear of acquisition of the property by the government but it is also possible that taxpayers may parcel out their properties in such a manner that each transfer does not exceed the amount of Rs 25,000 mentioned in the act. Suitable legislation should also be passed to take care of such transfers.

References:

1. In 1970-71 (revised estimates) taxes on income (excluding states share and including corporation tax) formed 95 per cent of the direct tax revenue of the union government in India, 94 per cent in the United Kingdom and 71 per cent in the United States of America (1971).

2. Prior to this estimate, certain other attempts had also been made from time to time to estimate tax evasion. In 1956, Kaldor estimated it to be of the order of Rs 2000-3000 millions for the assessment year 1953-54. The Income Tax department estimated it to be of the order of Rs 2140 millions for the same period. Later on the Direct Taxes Administrative Enquiry Committee (1958-59) also admitted that tax evasion was prevalent on a large scale.

3. Report of Taxation Enquiry Commission (1953-54); Vol. 1; p 163

4. Kaldor N., Indian Tax Reform; p 20.

5. Op. cit.; p 163

6) Ibid; p 163.

7. Some of these are; (a) specified financial assets (including agricultural land) upto Rs 150,000 (b) animals (c) rights to annuties which are not commutable (d) one house up to the value Rs 100,000 (e) property held under trust or other legal obligation or any public purpose of religious nature (f) amount standing to the credit of the taxpayer in provident fund and (g) Certain investments notified by the government.

8. Since 1959-60, companies have been regarded as a separate unit for tax purposes and the tax-liability of the shareholder is no longer related to the tax borne by the companies prior to this reform, the income tax paid by company was deemed to have been paid by the shareholders and this resulted in the complicated process of grossing up of dividends.

9. Finance minister's budget speech (1967-68)

10. Finance minister's budget speech (1969-70)

11. Union of India Vs. Dhillon; civil appeal No, 2172 of 1970.

12. Finance minister's budget speech (1974-75).

13. Report of the Comptroller and Auditor General of India, union government (Civil)

14. Ibid. p. 75.

15. Direct Taxes Enquiry Committee (Wanchoo Committee); Final Report; 1971; p. 85.

16. Report of the Comptroller and Auditor General; op. cit. p. 88

17. Direct taxes Enquiry Committee; op. cit. p. 57

18. Report of the Comptroller and Auditor General; op. cit. p. 80

19. Reported in the *Times of India* November 15, 1972.

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Brazil takes giant steps

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WINDOW ON THE WORLD

I

Forging Ahead

AZIL HAS recently emerged as the ding economic power in Latin Ame- a. If the present momentum of deve- pment is maintained, Brazil is likely become a leading economic force in rld affairs.

The resemblances between Brazil and stralia begins with their similar geogra- ical problems. Both countries face enor- us difficulties in developing vast, re- urce-rich interior regions remote from eir major centres of population. A mparison in economic terms, too, reveals oad similarities. Each country has recen- developed a widely-based manufac- ring sector but still depends on agri- ltural products and minerals for more an 50 per cent of export earnings.

A more detailed comparison, however, veals fundamental difference. Typical of ost developing countries Brazil has long ffered from severe regional economic im- alance on a scale unknown in Australia. he striking disparity between the econo- ic structure of the north-east region, for cample, with its heavy dependence on lantation and semi-subsistance agricul- re, and that of the more prosperous uthern states, especially Sao Paulo where nual per head income approaches US 1,000, has no parallel in Australia.

Brazil's population, like Australia's heavily concentrated along the coastal inges of the country. Only since the ansfer of the federal capital from Rio e Janiero to Brasilia, 600 miles inland, as there been a deliberate national effort induce large numbers of people to move from the Atlantic seaboard to the central-west frontier.

With more than 100 million people, Brazil is already one of the giants in the world community. When the last national census was taken in 1970 the population totalled 94.5 million. The current estimate is 104 million, or approximately eight times the population of Australia, and it is increasing at the rapid rate af about 2.8 per cent p.a. (compared with 1.35 per cent p.a. in Australia in 1973). If this rate is maintained, the population will double before the end of this century. The population of Sao Paulo, Brazil's largest and the world's fastest-growing city, has doubled to about nine million in the past decade alone and it is expected within another 10 years to become the largest city in the world.

Unlike Australia, Brazil has been a racial melting pot since the beginnings of European colonisation in the sixteenth century. Africans were brought to the country through until the late nineteenth century (slavery was not abolished in Brazil until 1880). During the nineteenth and the first three decades of the twentieth century, waves of Portuguese, Italian, German, Spanish, Slavic, Middle Eastern, and Japanese immigrants increased the local population mainly of Portuguese mulatto (Portuguese-African), and mameluke (Portuguese and Brazilian indigenous) descent. In general, southern Brazil is predominautly European, although the diversity of population derived from such a variety of ethnic orgins is evident in all the major cities.

The position of the indigenous "Indians" in Brazil parallels in many respects that of the tribal aboriginals in Australia. Today, the remnants of the "Indian" tribes number only a few thousand and are mainly concentrated in the Amazon region. By contrast with the historical development of most other Latin American countries, the evolution of modern Brazil culture has been influenced hardly at all by the customs and values of the indigenous inhabitants.

II

Economic Performance

Since the military takeover of political power in Brazil in 1964, the objective of economic policy has been to achieve a high growth rate, and at the same time to reduce gradually the rate of inflation (more than 100 per cent p.a. in 1964). The so-called "Brazilian model" of development has fostered rapid economic growth by combining generous financial incentives and tax concessions to the private sector in order to increase domestic savings, promote foreign investment and encourage exports. The government has stepped up its investment in the economic infrastructure and also introduced measures seeking to allocate resources according to development priorities. The indications are that the current administration installed in March, 1974, under President (General) Ernesto Geisel will pursue invesment policies similar to those of its recent predecessors.

Brazil has achieved remarkable economic growth-rates in the past several years. The Gross Domestic Product in real terms (i.e. allowing for inflation) rose at an annual average rate of 10.1 per cent during the 1968-73, and was in no year less than nine per cent. Other than Japan, no developed country was able to match in the past decade this exceptional and sustained growth.

In 1973, Brazil's GDP, measured in 1972 prices, reached the equivalent of US $57,083 million, (approximately the same as Australia's GDP in 1972-73, an increase in real terms of 11.4 per cent over the prvious year. The value of Brazilian exports increased by 230 per cent from US $1,881 million (f.o.b.) in 1968 to US $6,198 million (f.o.b.) in 1973. A rising volume of direct foreign investment and medium long-term loans sinces 1968 has more than offset the persistent deficits on current account and resulted in substantial additions to Brazil's international reserves.

The large balance of payments surplus of US $2,327 million in 1973 boosted the reserves to a record US $6,417 million at the end of the year.

Brazil has also pioneered such novel techniques of economic management, as monetary correction (comprehensive index-linking of wages and a wide range of financial assets and claims to changes in official measurements in the cost of living) and frequent adjustment (mini-devaluations) of the cruzeiro exchange rate. Both measures sought to neutralise some of the distortions caused by a high rate of inflation.

III

Bright Prospects

Brazil needs to import about 80 per cent of the 800,000 barrels of oil used daily and in 1974 it may have had to pay as much as four times the 1973 oil import bill of US $700 million. Despite the setback caused by the increased price of oil, and the resulting acceleration to more than 30 per cent p.a. in the current rate of inflation, real growth of output in 1974 was still expected to be at least nine per cent. Total export recipts could have reached US $8000 million in 1974 resulting in a trade deficit of perhaps US $2,000 million, compared with the surplus of US $182 million in 1973. Thus Brazil is expected to continue, at least in the short term, to welcome foreign capital enthusiastically both to finance development and to offset its current account deficit. Foreign companies may also be permitted to explore for oil in Brazil. At present, oil exploration and refining (but not retail distribution) is the preserve of the state-controlled company, Petroleo Brasileiro (Petrobras), which is also becoming increasingly active in exploration overseas. Although Brazil has enormous potential capacity to geneate hydro-electricity, and some large schemes are under construction or planning, the country's transport system still depends heavily on petroleum products. National demand for oil is currently increasing by about six per cent p.a.

Brazil is industrialising at a remarkable rate. Manufacturing industry is now in its seventh successive year of strong expnsion. Growth has been most marked in the capital and intermediate goods industries, especially motor vehicles (production surpassed that of Australia in 1973 and is expected to reach one million units in 1975), steel, cement, chemicals, and plastics. Imports supply only about six per cent of the domestic market for all manufactured goods and less than one per cent for manufacturd consumer goods. The share of manufactures in total export earnings has risen from under two per cent (US $21 million) in 1960 to 20 per cent (US $387 million) in 1968, and 31 per cent (US $1,941 million) in 1973 (See Table 1).

Large-scale investment projects already under way in all the leading growth industries, much by foreign firms or joint ventures with foreign partners, should add substantially to Brazil's industrial capacity in the second half of the 1970s.

IV

Mining Boom

Brazil's potential capacity to become a major producer of a wide range of minerals is tremendous. Mineral production, including gold, and diamonds and other precious stones, has been important for at least 200 years.

A mixed company with 50 per cent government participation, Companhia de Pesquisa de Recursos Minerais (Mineral) Resources Prospecting Company) was created in 1969 to explore the extent of the country's mineral wealth. The current boom in mineral exploration in Brazil is due not only to substantial recent discoveries, especially of iron ore and bauxite, but also to the government's generous financial incentives. All mineral research and exploration costs are tax deductible and profits on mineral exports by majority Brazilian-owned companies (foreign subsidiaries registered in Brazil are treated in this case as Brazilian companies) are not taxable. Several states, including mineral-rich state of Minas Gerais (literally General Mines) also offer additional special incentives, as do the large-scale regional development authorities, such as SUDEN (Superintendency for the Development o the North East.)

vast resources

Undoubtedly Brazil possesses va mineral resources. In terms of its existing export capacity, however. the minin sector is still relatively under-develope and concentrated heavily on iron or and, to a lesser extent, on manganes ore and tin. The only other mineral i which Brazil appears to have the immediate potential to develop as a worl exporter is bauxite, both raw and upgraded into alumina. Intense exploratio is continuing, especially in the vast Amazon basin, but Brazil remains at preser heavily dependent on imports of severa basic metals, such as copper, lead. zinc coking coal and oil.

Iron Ore : Brazil is estimated t possess about 25 per cent of th worlds' known reserves of iron ore second in size only to those of th USSR. The two principal known deposits are at Serra dos Carajas in th northern state of Para, and the bette known Quadrilatero Ferrifero (or Iro Quadrilateral) of Minas Gerais; th latter accounts for most of the ore s far produced. The Carajas deposit estimated to contain 18,000 millic tonnes (some reports run as high a 70,000 million tonnes) of ore of whic 1,600 million tonnes is high grade wit an average iron content of 68 per cen Proved and probable reserves in Mina Gerais are estimated at more than 30,00 million tonnes of which about one-thir consists of ore with an average grade c 64 per cent. By comparison, the assessed ore reserves of Western Australi which represent about 90 per cent c

TABLE I

Value and Composition of Brazil's Export

	1968		1971		1972		1973	
	US$m.	%	US$m.	%	US$m.	%	US$m.	%
Coffee	797	42.3	822	28.6	1057	26.5	1343	21.7
Soybeans (incl soya cake and bran)	24	1.3	102	3.5	295	7.4	930	15.0
Sugar	102	5.4	147	5.1	404	10.1	552	8.9
Iron ore	104	5.5	237	8.2	232	5.8	363	5.9
Cotton	131	7.0	137	4.7	189	4.7	218	3.5
Beef (fresh, chilled and frozen)	20	1.1	99	3.4	169	4.2	149	2.4
Manganese ore	24	1.3	38	1.3	27	0.7	19	0.3
Manufactures	387	20.2	822	28.3	1222	30.6	1941	31.3
Other	292	15.8	500	17.0	396	9.9	683	11.0
Total	1881	100.0	2904	100.0	3991	100.0	6198	100.0

Reproduced from *Bank of New South Wales Review* the Australian total, amount to 24,000 tonnes of which 9,700 million tonnes are at least 60 per cent iron.

Iron ore mining in Brazil is undergoing a major development phase similar to that experienced ten years ago in Australia. From a total production in 1973 of 56 million tonnes, about 43 million tonnes valued at US $363 million were exported to the USA, western Europe, and Japan. Only about one-third of Brazil's ore exports went to Japan in 1973 (nine per cent of Japan's total ore imports), compared with about 87 per per cent of Australia's exports (47 per cent of Japan's imports). Brazil is expected to have an exportable iron ore surplus in 1975 of about 77 million tonnes worth as much as US $500 million and by 1980 iron could become the main single source of foreign exchange. The government aims, however, also to encourage new steel mills to use more of the ore produced and to increase steel exports substantially. The largest producer and exporter of iron ore is the state-owned Companhia Vale do Rio Doce (CVRD), which accounted for 37.5 million tonnes of ore exports in 1973, mainly through the port of Tubarao, near Vitoria in the state of Espirito Santo. The CVRD operates two large mines in Minas Gerais and is associated also with United States Steel and Nippon Steel in the large new development projects at Serra dos Carajas.

major producers

The other major producers, Mineracoes Brazileiras Reunidas (MBR), Samitri and Fetero are also expanding output. The MBR, which is partly-owned by United States and Japanese steel interests recently began operations at the Aguas Claras deposits near Belo Horizonte, the capital of Minas Gerais and Brazil's third largest city. These deposits contain 375 million tonnes of high grade ore almost all of which will be exported through the new port of Sepetiba near Rio de Janeiro.

Manganese: Manganese ore is Brazil's second most important mineral export. Annual production approaches three million tonnes. Known reserves are being increased and current estimates range from 40 million to 80 million tonnes. The richest deposits are found in the territory of Amapa, in the far north. Considering that manganese is the second largest mineral export, the smallness of its earning compared with those of iron ore (see Table 1) emphasises the degree to which mineral exports are concentrated on one commodity.

Tin: Several areas of Brazil, including the states of Rio Grande do Sul, Minas Gerais and the northern territories of Amapa and Rondonia, have at various times, been important tin ore producers. In recent years, however, Rondonia alone has accounted for more than 90 per cent of production. The development of essential infrastructure in Rondonia and the increasing mechanisation of extraction process should considerably increase Brazil's export capacity. Exports of tin metal in 1972 exceeded 1,400 tonnes, about one third of total production.

Brazil is not a member of the International Tin Council and is thus not bound by the councils attempts to regulate international marketting.

external help

Bauxite: Brazil's total bauxite reserves are only in the early stages of definition. A recent conservative estimate of 800 million tonnes may be an underestimate. Current annual production of around 800,000 tonnes is expected to be expanded to more than five million tonnes by the early 1980s. Much of the expansion will probably be financed with the aid of the Japanese Aluminium Resources Development Company which hopes to participate with the Brazilian company Mineracao Rio do Norte (in which CVRD has the controlling interest and Alcan and Rio Tinto Zinc are shareholders) in developing the Oriximina deposits of about 165 million tonnes in Para. Production is expected to start this year and by 1980 Brazil should be exporting 2,000,000 tonnes annually. In the same state, RTZ is investigating a Bauxite deposit at Paragominas; if it is decided to develop the deposit CVRD will acquire a controlling interest.

The largest alumina project in Brazil is a joint venture between Brazilian interests and a Japanese consortium including Mitsui, Mitsubishi, and Sumitomo, to build a refinery at Belem with a 50,000 tonnes capacity at the mouth of the Amazon. Brazil is not a member of the International Bauxite Association.

V

Agriculture

The recent concentration on industrialisation by both the government and private enterprise has meant that agricultural production has lagged behind. Agriculture still remains the most important single sector, however, with more than 40 per cent of total employment and is by far the largest foreign exchange earner. The government is now seeking to improve the productivity of agriculture and livestock and to extend substantially the area of land under cultivation. Prospects for an improved rural performance appear to be excellent. A growth rate in output of eight to 12 per cent is expected, compared with an increase of 3.5 per cent in 1973,

The main agricultural products in which Brazil and Australia compete in world markets, especially Japan, are sugar and beef and to a lesser extent cotton.

Brazil is now the world's largest sugar exporter with total sales of US $552 million in 1973, mainly to the USA and Europe. Although exports to Japan rose from US $18 million in 1972 to US $24 million in 1973, this total is still small compared with Australia's sugar exports to Japan in 1973 of more than US $109 million.

Although Brazil has about 100 mil-

TABLE II

Direction of Brazil's Trade: 1971-73

(US$m.)

	Exports			Imports		
	1971	1972	1973	1971	1972	1973
EEC*	794	1131	2306	865	1122	1721
USA	760	931	1240	1064	1213	1685
Other Latin America	355	408	558	309	350	644
Japan	158	180	428	258	323	499
Other Western Europe†	294	461	298	443	490	463
Eastern Europe	129	214	422	109	82	102
Canada	43	50	81	100	87	84
Other Countries	371	616	865	553	668	818
Total	2904	3991	6198	3701	4235	6016

**Includes United Kingdom, Ireland, and Denmark in 1973.*

†Includes United Kingdom, Ireland and Denmark in 1971 aad 1972

Reproduced from *Bank of New South Wales Review* lion head of cattle—more than thrice the size of Australia's herds—it produces much less beef for export. A substantial part of Brazil's herds are of poorer quality stock. Unlike Australia, Brazil consumes most of the beef produced. Although foot and mouth disease bar some export markets, fresh and processed beef exports have risen from an annual average of US $67 million in 1967-71 to US $219 million in 1973. Sales in 1973 of Brazilian beef to Japan, however, were less than 10 per cent of the value of Australian beef exports to Japan. With increased government attention to the quantity and quality of beef, and encouragement of large-scale foreign investment in livestock, Brazil could eventually become an important beef exporter. Rapid population growth and improved living standards will, however, also create a larger domestic market which will act as a break on a big export trade.

VI

Economic Links with Japan

Japan and Australia are natural trading partners because their economies are complementary. This is also true of Japan and Brazil, although their trade has not yet developed to anything like the same extent, largely because of the greater distances involved. Brazil's traditional trading partners are the USA western Europe, and to a lesser extent Latin America (see Table II p.441). Brazil's trade with Japan is strengthening rapidly however, as growing pressure leads Japan to diversify the sources of its food and raw material supplies, while Brazil is encouraging direct foreign investment. Brazil's record of political stability since 1964 has also done much to overcome any reluctance that Japan may have had about direct investment there. Although Japanese plans for overseas investment have often been postponed or curtailed in the past couple of years, investment in Brazil has increased substantially. Total direct Japanese investment in Brazil rose from US $400 million in March, 1972, to US $569 million a year later and US $741 million in September, 1973 (about nine per cent of Japan's total overseas investments). During the past three years, over 300 Japanese enterprises have set up subsidiaries or joint ventures and Japaness investment in Brazil was expected to exceed US $1,000 million in 1974.

Increasingly Japanese investment in Brazil is away from manufacturing to supply the rapidly growing domestic market and towards mining, agriculture, and export-oriented infrastructure projects designed to ensure uninterrupted

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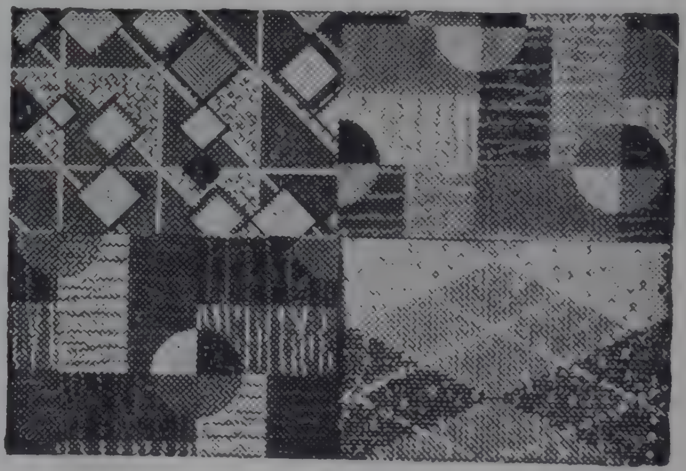

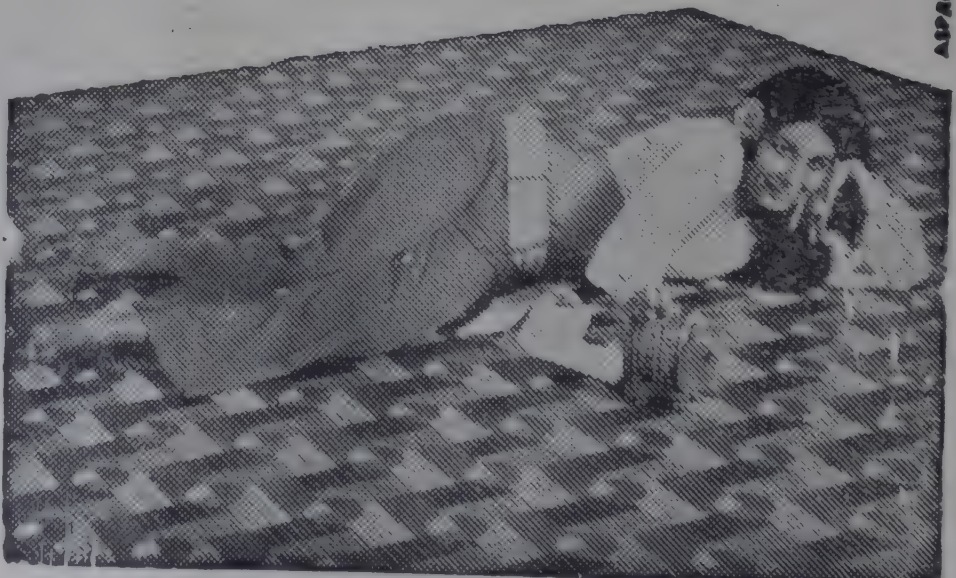

supplies of food and raw materials. Apart from the rapidly growing Japanese direct participation in iron ore and bauxite (already mentioned), the Japanese are engaged in joint ventures to construct two large steel mills, one at Itaqui, in the state of Maranhao and the other at Tubarao, near Vitoria, in Espirito Santo. The Itaqui mill, which will use ore from the Carajas deposits (with imported coking coal), is expected to begin production in 1980 at the rate of four million tonnes a year rising to 12 million tonnes, mostly for export, by 1985-86. The smaller US $750 million Tubarao mill is a joint venture by Brazilian, Japanese and Italian steel companies; production of steel slabs should begin in 1977, the annual output of three million tonnes being shared equally between the partners. Large scale Japanese investment in association with CVRD is going into woodchip and pulp production in Minas Gerais and Espirito Santo.

Brazil's relative proximity to markets in North America, western Europe and Africa is a further incentive for the expansion of Japanese economic interest as well as providing a base for the promotion of Japan's growing links with other South American countries.

Japanese began emigrating to Brazil in 1908. The first emigrants were mainly peasants recruited for the coffee plantations of Sao Paulo by Japanese companies operating under contract with the Brazilian government. There was little further emigration from Japan until after World War-II, but 50,000 entered between 1953-63, by which time there were 250,000 Japanese in Brazil. Today there are about one million Brazilians of Japanese descent, mostly in the states of Sao Paulo and Parana. This is by for the world's largest Japanese expatriate community and it will certainly continue to be important in the evolution of economic relations between the two countries.

As an ethnic group, the Japanese-Brazilians have remained cohesive and have largely retained their language and culture, although they are, of course, Brazilian nationals. Although the Japanese-Brazilians are less than one per cent of the total population, they are proportionately much more strongly represented in leading political, economic and academic circles. The minister for Mines and Energy, for example, is Mr Shigaki Ueki who is a prominant young economist and a former director of Petrobras.

Source and acknowledgements: The foregoing summarises a special report in the latest issue of the Review of the Bank of New South Wales (60 Martin Place, Sydney) but the bank is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

Europe goes to Geneva with diffidence

Vienna

E. B. Brook

THE OPENING of negotiations in Geneva to begin the new world trade talks 17 months after they had been agreed on in Tokyo has been one of the more encouraging developments this months. The detailed bargaining between industrialized and other countries will start on March 3 with slightly later opening dates for tropical and farm products. The important fact is that a great deal of hesitation in the USA and Europe has been, at least partly overcome: in the USA the long, rough passage which Congress gave the Trade Bill ended only shortly before the new year and west European Common Market's readyness to open talks on commodity agreements and further reduction to barriers to world trade was expressed with reservations.

The Market seems to like the idea of further widening the UNCTAD generalized preferences scheme but as anxious Europeons, prefers to concentrate first on immediate remedial measures for inflation and unemployment before seriously considering long-term structural reform of world trading. Generally speaking, the Market appears willing to aim at tariff cuts of between 25 and 50 per cent in world trade of industrial and farm products and there is hope of the equally important reduction in non-tariff barriers to trade being more seriouly considered. These trade talks—the successors and follow-up to the Kennedy Round of the 1960s—will probably last two years and a sizeable reduction of hindrances to trade can, on present indications, reasonably be expected.

changed conditions

The circumstances under which the new world trade discussions open are greatly different from those attending the start of the Kennedy Round, a time when the industrialized world had rehabilitated itself after war and was heading confidently for a decade of boom conditions. Energy for industry was cheap, production increasing, work opportunities so ample that not only was every employable person earning but west Europe was beginning to import labour from the southern Europe and Africa. While the industrialized nations were not always so forthcoming as might be hoped they were certainly in a position to make trade safeguard reductions confidently.

Today these same states pay heavily for the energy sources, are plagued by high prices at home, by inflation and unemployment while part of the industrialized world makes great and rapid profit from selling oil more expensively and there is anxiety about prices for other essential raw materials most of which are derived from and supplied by the less industrially developed states. These, also, as the Algiers conference has made clear, are preparing to make collectively the best of their advantages. While the Kennedy Round opened with all the best cards in the industrialized nations' hands, today those good cards are shared,

The two years which the Geneva negotiations are expected to require may see further changes but the opening indications appear to be that the USA and west Europe as well as Japan will make the most of their current genuine difficulties as a bargaining gambit for being cautious. The GATT conference should, at least, provide a check to any further protectionist tendencies which began, in the USA particularly, to make themselves evident. Whatever facts the industrialized states may put forward in favour of caution they cannot deny that world trade last year flourished as never before with the value of exports rising by some 45 per cent to over 753 billion dollars with the USA leading with a 13 per cent share followed by West Germany with 11.8 per cent Japan with 7.4 per eent and France with 6.2 per cent With its great potential in farm product exports the USA will be a leading exponent of non-tariff barrier reductions and, the world's major exporter, generally in favour of cutting commercial barriers,

The higher price charged for oil has not only obliged the industrialized consumer states to look more carefully to their own oil and fuel resources but also at potential supplies of raw materials generally. They see little danger of world shortages and, unlike the Club of Rome, do not expect them to begin running out for decades. What troubles them is the fact that, particularly west Europe, is almost completely dependent on outside suppliers—some areas such as China and South Africa which could be affected by political considerations. The suppliers' growing intention to process their own raw materials, price cartels and potential nationalization of mining enterprises are other clouds on European manufacturers' horizons.

joint plan of action

The conference of more than 100 developing states in Dakar early this months with its declaration urging delegates to draw up a joint plan of action to protect the prices of their exported commodities seems to have brought those clouds somewhat closer. There is open concern in Europe at the way the producer countries are steadily moving into a more coordinated and rigid position of confrontation with the industrialized states. The British are hurrying to put forward a plan for commodity price stabilization at the Commonwealth Prime Minister' meeting at Kingston, Jamaica, at the end of April.

It seems clear enough that OPEC, the Organisation of Petroleum Exporting Countries, has set a pattern for the non-oil and non-industrialized world states and that all raw material producers, although their actions may at times be mutually hurtful, are moving to a common position in relation to industrialized buyers, to the latters' great dismay. The oil exporters are now insisting that other raw material producers be represented at the proposed world energy conference later this year. What was originally intended to be a "dialogue" may become a bargaining discussion on raw materials and industrial development generally. This would be far more in line with French ideas of future relations between industries and supliers than with Americans; the USA is reluctant to attend even the preparatory meeting set for this month.

The driving force on the suppliers' side is Algeria which is suggesting India, Brazil and Zaire as representatives to the conference from the non-oil producers' side. The Common Market seems reluctant to accept without safeguards discussions at a conference where the other side's representation will, in its view, have been forced on it. At the proposed energy conference the producers' sights are set on a new economic order at the same time as the GATT talks on trade in Geneva are aimed, according io the Tokyo Declaration, "to secure additional benefits for the international trade of developing countries." Both, like the fourth U N Conference on Trade and Development scheduled for early next year in Nairobi, are likely to be closely and intensely fought ou affairs. The present sharp decline in the prices of some raw materials such as fibres and metals—unlike oil, more than 30 per cent cheaper than a year ago-will add intensity to the new cohesion in the non-industrialized raw producer world which has for so long been thought an impossibility.

The most realistic attitude to the new circumstances was that taken by the Common Market in its agreement with 46 developing countries in Africa, the Caribbean and Pacific to be formalized at Lome, capital of Togo. later this month. This in effect, creates a new Afro-European Economic Commonwealth by the Market undertaking to stabilize the foreign exchange earnings of the 46 countries for 12 of their key commodities. The hope is that this constructive plan for compensation for producers against falling prices may lead eventually to some from of world commodity stabilization scheme which would be a valuable adjunct to benefits from the GATT discussions.

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e lady doth protest too

h methinks. Mrs Indira Gandhi told eeting of her party workers in Madras w days ago that it was not important ther she was in power or not. I rtily agree and must ask why then she ttaching so much importance to her ng in power. In other words, how she have the audacity to suggest, she did, that the alternative to her st necessarily be a weak govern- nt subjected to outside pressures l internal difficulties?

When Mrs Gandhi claims this, it is ob- us that she not only attaches import- e to her being in power but con- ers it supremely important for the tion that she should be in power. smug is she in the conviction of r indispensability that she has reach- the stage of suggesting that after her re can only be chaos. If this attitude not anti-democracy, anti-people and thoritarian, I wonder what else she ist say or do to prove to the world that e believes that ‘the State is I.’ Even r father did not go beyond asserting at the party he headed had to be in wer if the country was to have political ability and economic progress. She owever, is not content with repeating similar claim.

Mrs Gandhi argues that it is not ough if the party which she leads emains in power and that it is also ecessary that *she* should continue to lead e party and be prime minister. If, fter this, she would also claim that she not interested in remaining in power, e must be straining the credulity of even e gullible.

Mrs Gandhi's speech also indicated hat the more she thought it imperative hat she should hold on to power, the less onfident she was becoming of her being ble to do so. Narora was the first indica- ion that she felt shaken in her party base. vidence has been accumulating since hen.

As I have been pointing out in this olumn, Mr Chandra Shekhar is not of the stuff martyrs are made of. In the past, even when he had appeared to be at his most adventurous, it was only after he had secured his fences. He could make a dead set for Mr Morarji Desai when the latter was deputy prime minister only because he only knew too well that he could bank on certain behind-the-scene forces to bail him out should that become necessary. Now that he is repeatedly mentioning the ‘unmentionable’, viz., that Mrs Gandhi should initiate a dialogue with Mr Jayaprakash Narayan and has also had the temerity to declare that those who criticize him for his anti-party activities are pigmies to his giant, it could reasonably be assumed that he has satisfied himself that Mrs Gandhi's authority in her own party is now far less than absolute. The fact that Mr Krishan Kant and Mr Mohan Dharia have joined forces with him only confirms the inference that it is now less than suicidal for Mrs Gandhi's partymen to question her omniscience or omnipotence.

The prime minister, in fact, is running scared although the date of the general election is still to be set. I suppose that the trend in the by-elections has had not a little to do with this. She realizes no doubt that once her party begins to lose its faith in her potency as a muscat for sweeping the polls, it will not be possible for her to hold it together as a mindless monolith. Hence the outburst in her speech in Madras against opposition parties for what she described as their rallying round a single banner to sow dissensions in her party with a view to removing her from its leadership.

The way Mrs Gandhi phrased this complaint suggested that she believed or wanted the country to believe that those who sought to oust her party from power or her from its leadership were indulging in high treason. It is strange that it does not occur to her that lots of people in this country, who believe that the time has come for an authoritarian or corrupt administration to be brought under the discipline of normal democratic processes, would actually be glad that the fear of god has at last been put into he political soul.

The vice-president,

speaking at a public function somewhere in the south recently, was deploring the growth of what he called ‘consumerism’ in our country. I suppose that what Mr Jatti was really objecting to was the trend towards conspicuous consumption on the part of the affluent sections of society or perhaps the more general craze for more and more consumer goods or material possessions for their own sake.

All the same, it is a pity that neither the vice-president nor his secretariat, including such speech-writers as he may have, were able to avoid mixing up things in such a ridiculous manner. Consumerism, after all, is one of the more constructive socio-economic forces in the world today. So that he may know what he was talking about or rather what he was *not* talking about, I would refer Mr Jatti to the January 1975 issue of *Span* for quick enlightenment. It carries an excellent article on “Citizen Nader” and the consumer movement in the United States. Meanwhile let me assure Mr Jatti that consumerism is no enemy of the people.

The Times of India

had fun reporting a question asked by Mr Indrajit Gupta (CPI) in Lok Sabha, suggesting that an astrologer might have been responsible for the postponement by an hour of the presentation of the railway budget by Mr Kamlapati Tripathi. Newspaper readers have short memories but still some of us may not have forgotton a “Times of India Notebook” tale published a few weeks ago about the late L. N. Mishra's pomeranian which, so the story went, became extremely restless at about 4 o'clock on the evening of January 2 and began barking at all and sundry as if it had premonition of what was about to happen to its master an hour and thirty minutes thence. According to the story-teller, again, the dog was found dead at about 10 o'clock next morning near the gate of the Mishra residence in New Delhi, some thirty minutes after the minister had breathed his last at Danapur. When newspapers go out of their way to pander to all kinds of irrational beliefs or feelings, what is there so surprising about superstition stalking the land?

VB

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1. EXISTING AND PROPOSED ACTIVITIES:

The Company was incorporated on January 5, 1955 with the object of carrying on the business of assisting industrial enterprises in India and more particularly described in its Memorandum of Association.

The Debentures are being issued for the purpose of augmenting the resources of the Company to meet the demands of industry for financial assistance.

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J. S. Raj, *Vice Chairman*
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D. P. Goenka
N. A. Palkhivala
L. J. Mulkern
N. M. Waglo
Bhaskar Mitter
M. V. Sohonie
A. W. B. Hayward

Interest at the rate of 6½ per cent per annum (subject to deduction of tax at source) will be payable half-yearly on April 1, and October 1, except that the initial proportionate payment of interest will be made on October 1, 1975 and the interest will accrue on the Debentures allotted from the date of the receipt of the application money.

The Debentures shall be redeemed at par on April 1, 1985.

The Company shall have the right to purchase Debentures from the open market and the same can be re-issued for the unexpired period of the Debentures.

The principal moneys of the Debentures to be issued hereunder and the interest accrued thereon shall rank for payment:

(i) after all the foreign currency loans with interest thereon, both present and future, except the 8% Bonds (1977-1988) for Swiss Francs 8,000,000;

(ii) *pari passu* with all the rupee term loans, both present and future, and the five Debenture issues previously made with interest thereon and the Debentures to be issued

J. M. Ahrens, *Alternate Director for L. J. Mulkern*
N. H. Green, *Alternate Director for J. Russell*
(appointed on February 13, 1975)

3. SHARE CAPITAL
(as on September 30, 1974)

		Rupees	Rupees
Authorised:			
15,00,000	Equity Shares of, Rs. 100 each........		15,00,00,000
10,00,000	Unclassified Shares of Rs. 100 each........		10,00,00,000
25,00,000			25,00,00,000
Issued and Subscribed:			
15,00,000	Equity Shares of Rs. 100 each issued for payment in cash..	15,00,00,000	
Paid-up:			
10,00,000	Equity Shares of Rs. 100 each........	10,00,00,000	
	Less: Calls in arrears	100	
		9,99,99,900	
5,00,000	Equity Shares of Rs. 100 each, Rs. 50 paid-up............	2,50,00,000	
			12,49,99,900

4. PRESENT ISSUE:

10,000	Debentures (1985) of Rs. 5,000 each at 99% (*i.e.* Rs. 4,950 each) with a right to retain excess subscription up to 10% of the issue.		5,00,00,000

show of hands be entitled to one vote only and at a poll he shall be entitled to one vote in respect of every principal sum of Rs. 5,000 of the Debenture in respect of which he is entitled to vote.

In the event of over-subscription, shareholders of the Company who apply for Debentures will be given preferential allotment to the extent of as many Debentures as they would be entitled to take up if the entire debenture issue had been offered to such shareholders on *pro-rata* basis as a rights issue. The offer and allotment of Debentures to non-resident shareholders is, however, subject to the consent of the Reserve Bank of India under the Foreign Exchange Regulation Act, 1973.

5. DATES OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST:

The Subscription List will open at the commencement of banking hours on Monday, March 3, 1975 and will close at the close of banking hours on Friday, March 7, 1975, or earlier at the discretion of the Directors, but not earlier than the close of banking hours on Wednesday, March 5, 1975.

6. PROSPECTUS AND APPLICATION FORMS:

Applications must be for one or more Debentures and should be forwarded to the Registered Office of the Company together with the payment at the rate of 99% of the nominal value of the Debenture *i.e.* Rs. 4,950 per Debenture.

Application Forms along with copies of the Prospectus can be had from the Registered Office and the Regional Offices of the Company. However, for the sake of convenience, applications together with the necessary payment would be accepted by the Central Bank of India at its main offices at Bombay, Bangalore, Ahmedabad, Calcutta, Delhi, Hyderabad, Indore and Madras.

AIYARS 19

TRADE WINDS

The Rial and SDR

THE CENTRAL Bank of Iran decided to peg the value of the Persian rial to the International Monetary Fund's Special Drawing Rights (SDRs) instead of the US dollar. The move, which came after the continued decline of the dollar on international money markets led the Iranians and other oil-producing states to believe that yet another dollar devaluation might be imminent. Since Iran is paid for its oil in dollars, as are most of the OPEC nations, any dollar devaluation would substantially degrade the value of Teheran's monetary reserve. But by converting to SDRs, the so-called "paper-gold" based on the value of sixteen world currencies (the dollar makes up 33 per cent of SDR,), the Iranians can take advantage of a global mechanism that is designed to minimize the effects of currency speculation. Thus, while the dollar continues to be driven downward, Persian oil will maintain a fixed price and the net effect of that will be periodically rise in the price of oil without going through the unpopular business of actually announcing a price hike.

Staple Fibre Plant for South Korea

The Gwalior Rayon Silk Manufacturing (Weaving) Company Ltd, has bagged a $17 million export order from the Republic of Korea for the supply of staple fibre plant and machinery. The supply of machinery for the 30-tonne-a-day plant has already started and will continue till about September this year. The order was secured in a global tender by Birla AG, Zug, Swizerland against competition from the US and Japan. Mr Aditya V. Birla, vice-chairman of Gwalior Rayon, told newsman recently that the first shipment was worth one million dollars, and the party in Seoul was Sejin Rayon company Ltd. He said that the South Korean plant would be based on the know-how developed by Gwalior Rayan whose, technicians would be assisting in the erection and commissioning of the plant. Gwalior Rayon had also trained Sejin's technicians at its Nagda plant. Mr Birla said that it was for the first time this country was exporting non-traditional chemical engineering technology for the production of rayon staple fibre.

Railway Delegation from Brazil

Brazillan railways would like to benefit from the advancement in technical know-how and expertise which the Indian railways have achieved over the years. This was stated recently by Mr Napoleo Goretti leader of the Brazilian railway delegation while explaning the purpose of his visit to India. Mr Goretti is accompanied by five railway engineers, and two members from the National Development Organisation. The delegation, he said, had come to India to assess potentialities of Indian railways to meet the requirements of the Brazilian railways. The members of the delegation, who met Mr M. N. Berry, Chairman of Railway Board in New Delhi, were told that the capacity at the railway production factories had been built up sufficiently and the same was now available to meet the requirements of other railways.

The Brazilian railway engineers discussed various issues involved in the design, planning and working of the equipment that would be required for the Brazilian Railway Development Plan (1975-79) and for which they had obtained a loan of about four billion dollars. The delegation expressed its keen interest in electric locomotives, equipment for electric traction, wagons, rails, sleepers, signal equipment and passenger coaches. The delegation during its stay in the country is to visit various production units.

ESCAP in Delhi

Possibilities of cooperation among member nations of the Economic and Social Commission for Asia and the Pacific in the industrial sphere for significantly promoting intra-regional trade and economic cooperation are being explored during the annual session of ESCAP in New Delhi. Mr Y. T. Shah, Commerce Secretary told newsmen that the work on the Asian trade expansion programme is in progress. The participating countries have already exchanged or are in the process of exchanging lists. A group of countries could join together and set up an industrial plant not only for meeting requirements of their markets but other markets as well, he stated.

This principle could be extended to stepping up of agricultural inputs such as fertilisers or insecticides for increasing food production within the region. China and Pakistan are attending the conference. Apart from reviewing the performance in relation to targets of second Development Decade, the conference is considering decisions of the world food and population conference, the special UN assembly calling for new economic order and follow-up actions to be taken by countries within the region.

ADB Loans

The Asian Development Bank (ADB) lent a record $547.68 million inclusive of $172.86 million on concessional terms (one per cent interest) in 1974—a rise of 30 per cent over 1973 loan approvals totalling $421.48 million. By the end of 1974, ADB had lent $1923.71 million for 189 projects in 21 developing countries. As much as 26 per cent of this total ($492.57 million) was from the special funds. This country does not borrow from ADB which has 41 members—27 regional and 14 non-regional.

The Asian Development Fund to which 10 developed countries had pledged contributions totalling $ 225 million, became operationol at the end of June 1974. Another $18.7 million have been contributed subsequently to the fund by Australia and Norway. A total of $525 million is to be mobilised under ADF scheme to finance the bank's concessional lending up to December 31, 1975. Pakistan was the largest borrower from ADB in 1974 with loans totalling $100.17 million including $ 34 million from the special fund. Bangladesh received a total of $52.10 million all from the special funds. According to an ADB release, for the first time the bank financed a part of local currency costs of projects, one in Bangladesh and another in South Vietnam.

Drugs for USSR

An export order from the Soviet Union for pharmaceutical formulations of the value of Rs 1.6 crores has been secured by the Sandoz. This export order would take the total exports by the Sandoz in India to Rs 5.17 crores over the past three years.

Distribution of Paper

Union minister for Industry and Civil Supplies, Mr. T. A. Pai, stated recently that there was no proposal to nationalise the paper industry. Mr Pai, however, added that the existing distribution system in the paper industry was being looked into to streamline the system and prevent existing malpractices. The government's decisions would be ba-

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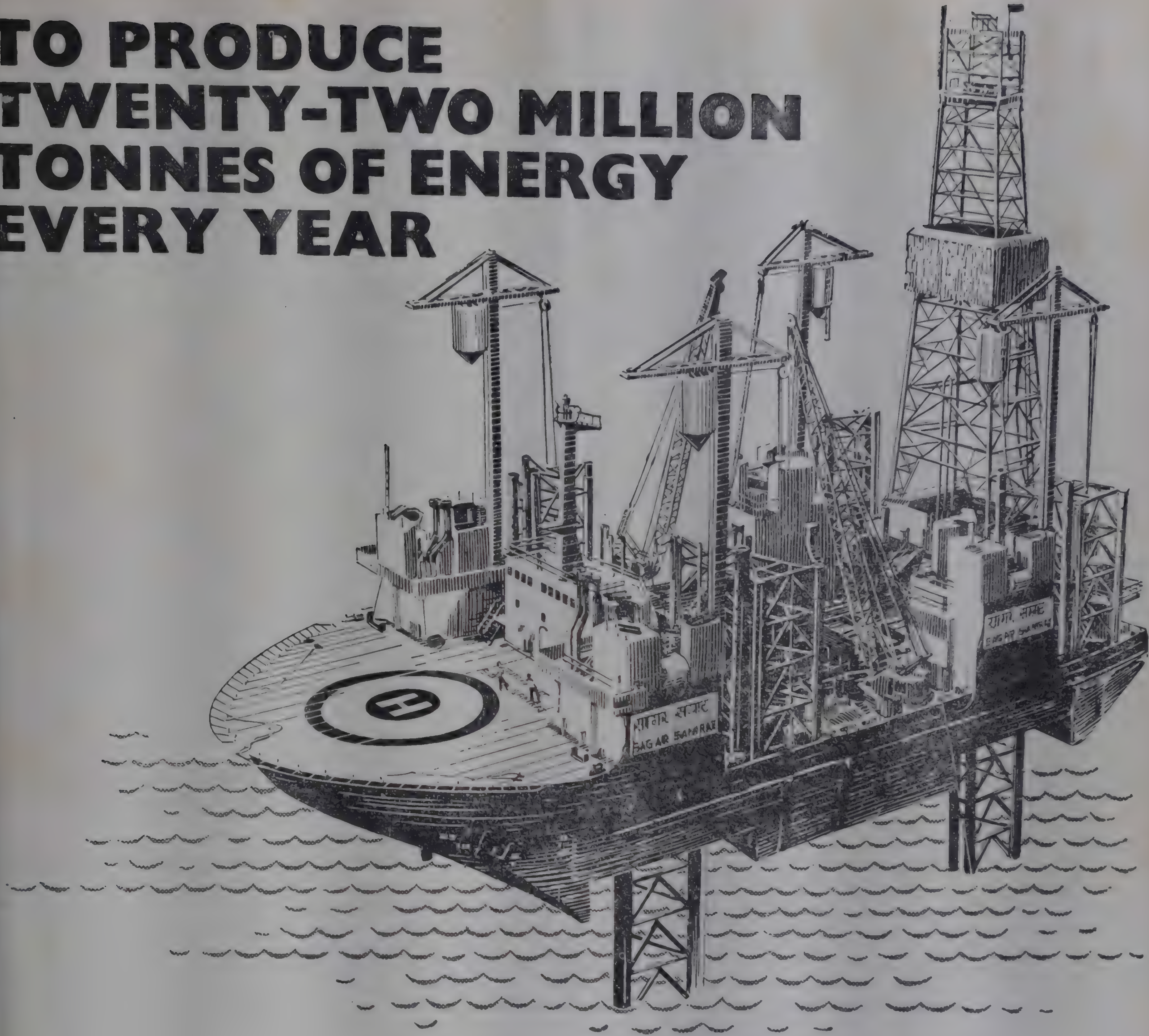

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sed on the study now being made.

There was no proposal presently under government consideration for setting up a central marketing organisation. The measures were, however, aimed at eliminating as many intermediaries as possible, between the paper mills and the consumers, particularly the students. He observed that there was considerable potential in the country for the development of the paper industry to meet the future demand. Efforts were being made to develop the industry both in the public and private sectors, and also maximise the use of secondary raw materials such as agricultural waste products for the manufacture of paper.

Indo-Pak Shipping

The National Shipping Corporation of Pakistan (NSCP) the only shipping company from that country to place vessels on the India-Pakistan shipping service to be resumed shortly has appointed the state-owned Mogul Line as its agents in India. The union ministary of Shipping has also appointed Mogul Line as a coordinator for the proposed shipping services between the two countries. The company's managing director Mr J. G. Saggi, stated recently that as soon as he received clearance from the Directorate-General of Shipping which, in turn is awaiting green signal from Karachi, he would lead a team of shipping experts to Pakistan to finalise the details regarding pattern of service and the tariff rates.

Licensing of Formaldehyde

The union government has decided of withstand formaldehyde from the purview of exemption from licensing provisions of the Industrtes (Development & Regulation) Act, 1951 with effect from February 12, 1975. However, small scale units manufacturing formaldehyde will continue to remain exempted from licensing provisions. Industrial undertakings which have already come into existence without having obtained an industrial licence under the provisions of the I(D &R) Act, 1951 or in respect of which effective steps have been taken before February 12, 1975 will be required to obtain 'carry on business' licences within a period of six months. Parties rrequired to submit theit applications to the government for C.O.B. licences should do so in from 'IL' within a period of three months from February 12, 1975.

Delegation for Oil Purchase

An official delegation is likely to leave shortly for Baghdad and United Arab Emirates to sign agreements for import of 3.8 million tonnes of crude during the next financial year. Of the total quantity, Iraq is likely to give 2.8 million tonnes while UAE would provides one million tonnes.

Indo-Soviet Scientific Agreement

India and the Soviet Union have agreed to promote cooperation in the field of science between the two countries. An agreement on scientific Exchanges and scientific cooperation between the Department of Science & Technology, and the Academy of Sciences, USSR, was signed recently by Dr. A. Ramachandran, Secretary. Department of Science & Technology and Mr A.P. Venogradov, Vice-President of the Soviet Academy.

The agreement provides for exchange of scientific delegations and individual scientists, bilateral scientific symposia and joint research work on problems of mutual interest. It also covers exchange of scientific and technical information. It will stimulate and promote cooperation between various scientific institutions in the two countries.

The agreement is initially for a period of five years. It shall be automatically extended for a further period of five years unless terminated by either side,

The progress of various activities under this agreement will be reviewed by the Indian National Science Academy and other scientific agencies designated by the Department of Science and Technology and by the Academy of Sciences, USSR.

Hindustan Everest Tools

Hindustan Everest Tools Ltd., which started production 10 years ago with German collaboration, has now developed a completely indigenous technology. Technical collaboration with the German company, Dowidat, has ended and steps are being taken to buy over the foreign equity to which the foreign shareholders had already agreed.

Mr. B.P.Mandelia, President of the company, stated recently that the company was exporting 70 per cent of its production and during 1974-75 exports were expected to touch one crore of rupees. The targets for 1975-76 was Rs 1.75 crores which, he said, was achieveable if the 75 per cent power cut at their unit in Sonepat was eased. Hand tools offer a vast scope for exports as in 1973-74 the total world import was estimated to be $1,200 million, in which India's share was only $11 million, amounting to 0.9 per cent of the total. Mr Mandelia indicated that due to the rising costs of production several western countries were vacating this field as imports were found to be cheaper than production.

The company was also going in for foreign ventures. Negotiations were going on with entrepreneurs in Philipines, Iran, Columbia, Malta and Mauritius for joint ventures and technical collaborations. A new range of items developed through the R &D efforts of the company was displayed in its pavillion at the Indian Engineering Trade Fair recently in New Delhi. Some of the novel tools developed by the company included a multi-spanner, bearing pullers, heavy duty pipe wrenches, chain pipe wrenches, piano wire cutters, vice grip plier and bolt clippers, etc.

Foreign Trade

Despite a sharp rise in exports in December, the trade gap continues to widen and stood at Rs 585 crores for the first nine months of 1974-75. Total exports and imports for the April-December period were Rs 2,343 crores and Rs 2,928 crores, respectively. Exports rose by 58.5 per cent over the performance in the corresponding period of 1973 (Rs 1691 crores), but imports under the impact of quadrupled oil prices and global inflation jumped by 57.5 per cent over the previous year's level of Rs 1855 crores. The trade gap in April-December 1973 was Rs 164 crores. The December 1974 trade figures are: exports valued at Rs 319 crores and imports Rs 426 crores. The substantial rise in the December export figure is partly attributable to sugar shipments. Another factor contributing to the rise this year is export of silver, which fetches a high price.

Export of Earth Moving Equipment

The earthmoving equipment division of Hindustan Motors near Madras has just completed an export order for 12 rear dumpers to the UK worth Rs 60 lakhs. With this, the Tiruvellore unit, which was commissioned two years ago, has exported 20 earthmovers worth Rs 90 lakhs, including a front-end loader to Kenya. According to Mr A.N. Macleod, Divisional Manager at Tiruvellore, there were good prospects for the export of Indian earthmovers to Europe and West Asia because of the non-availability of these from foreign manufacturers. who were offering long delivery schedules. This was enabling Indian manufacturers to compete in foreign markets despite their higher prices.

Mr Macleod, however, recognised the need to reduce prices if the export markets were to be retained. He hoped that with the improvement in the availability of steel, stee rices would go down. With the urrent constraints on resources, he expected a slump in nternal demand of earthmovers. The major customers or each equipment were the ublic sector mining units, The company expected to produce 100 rear dumpers, 60 ront-end loaders and 20 crawer tractors in 1975-76.

Bajaj Scooter Project

Bajaj Auto is joining hands vith the Western Maharashtra Development Corporation, a tate government company, o promote a joint sector unit at Satara for the manufacture of scooters. The project will be aken up by a new company o be known as "Maharashtra Scooters". Bajaj Auto's share n the equity capital of the new company will be 24 per cent. The proposed company will have an authorised share capital of Rs 2 crores, out of which equity shares of the nominal value of Rs 1 crore will be issued by it after incorporation.

National Textile Seminar

Inaugurating the National Textile Seminar in New Delhi recently, the Vice-President, Mr B.D. Jatti, stated that such deliberations helped in the mutual exchange of valuable scientific and technological knowledge. They also helped to throw light on recent trends in scientific and technological innovations taking place around the world. The resources and time spent by one institute to develop a technology need not necessarily be duplicated by another institute if there was a forum for mutual exchange like the present one.

Availability of Steel

Steel supply position has improved considerably in the last one year. This was stated by Mr Sukhdev Prasad, deputy minister for Steel and Mines, in the Lok Sabha recently. Production from integrated steel plants is higher in the ten months April 1974-January 1975 by 356,900 tonnes as compared to the same period in the previous year, representing an increase of 10 per cent.

With special efforts to activise inventories, supply of steel to the economy from main steel plants in the above ten month period is higher by 634,000 tonnes, which represents an increase of 18 per cent as compared to the ten month period of the previous year. The production in 1975-76 is expected to increase still further. As a result, the supply position of steel in 1975-76 will be adequate and no shortages are expected. In fact, there will be export of some categories of steel. It is expected that the import of steel will be restructured to only those very special categories which are not produced or some categories of which the production may be less than required such as boiler quality plates, shipbuilding quality plates etc. Overall, the steel supply position in 1975-76 is expected to be fully satisfactory.

Cost of Steel Production

The cost of production of ingot steel for 1973-74 for each of the plants in the country is as follows:

Cost of Production of Ingot Steel

Plant	per tonne in (Rs.)
1. Bhilai Steel Plant	616
2. Durgapur Steel Plant	819
3. Rourkela Steel Plant	717
4. Tata Iron & Steel Co. Ltd.	679
5. Indian Iron & Steel Co. Ltd.	863

The difference in the cost of production of ingot steel is mainly due to differences in the extent of utilization of installed capacity and the incidence of capital related charges.

Feasibility Stedies for New Plants

The Steel Authority of India Limited have commissioned Metallurgical and Engineering Consultants (India) Limited to prepare feasibility reports on two integrated steel plants—one in the Bailadila region in Madhya Pradesh and the other near Surajgarh in Maharashtra. This was stated by Mr Chandrajit Yadav, minister of Steel and Mines, in Lok Sabha recently. The Minister added that these studies were likely to be completed within six months. The feasibility reports would be for steel capacity—about 2 to 3 million tonnes—at each of these sites. These studies were undertaken in connection with the long-term steel development programme and could be made use of only while considering proposals for the future five year Plans.

State Budgets

Bihar

The Bihar budget for 1975-76 envisages nine taxation proposals estimated to yield an additional Rs 21.80 crores. This will not only help cover the overall deficit of Rs 12.57 crores but also reduce the huge overdraft with the Reserve Bank. Presenting the budget in the Vidhan Sabha recently, the Finance minister, Mr Daroga Prasad Rai, stated that the government hoped to raise about Rs 8 crores through early rent and cess rationalisation. Among other measures proposed by him were a 20 per cent increase in excise duty on country liquor and an increase of 25 paise and Re 1 per litre, respectively, in export duty on crude and refined alcohol produced by distilleries in the state (estimated revenue: Rs 3.48 crores) realisation of royalty on coal on the basis of price instead of tonnage (Rs 4 crores), an increase in royalty on all mineral products except iron and coal (Rs 80 lakhs) and enhancement of inter-state sales tax from three per cent to four per cent (Rs 3 crores).

The budget also proposed rationalisation of state mining royalty and forest cess, increasing the income from these sources by Rs 1.5 crores. An additional Rs 50 lakhs will be raised by increasing general sales tax from two per cent to 2.5 per cent. Tax on advertisements, other than those for publication in newspapers, is expected to yield at least Rs 15 lakhs. A cane cess of rupee one per quintal will be imposed on all khandsari units, resulting in an additional revenue of Rs 6.5 lakhs.

Andhra Pradesh

A Rs 13.49-crore revenue surplus budget for 1975-76 was presented to the Andhra Pradesh Assembly by the Finance minister, Mr P. Ranga Reddy. The finance minister recently envisaged an overall deficit of about Rs 20.34 crores taking into account transactions on the capital account. He did not propose any new tax but hoped to cover the deficit partly by better collections and partly through larger market borrowings and securing increased central assistance.

The Finance minister estimated revenue receipts in 1975-76 at Rs 505.37 crores as against current year's revised estimate of Rs 459.69 crores. He placed the revenue expenditure at Rs 491.88 crores as against Rs 433.18 crores revised estimates for this year. He attributed the increase in expenditure to rise in prices which, he said, had stepped up non-development expenditure. Mr Ranga Reddy put the expenditure on capital account next year at Rs 86.56 crores. The accounts for 1973-74 showed a surplus of Rs 11.06 crores which, he said was mainly attributable to effective collection of arrears of revenue and larger tax receipts reflecting the recovery of the state economy.

In 1972-73, large amounts of revenue due to the state could not be colleced in view of the disturbed conditions and the acute drought situation. As per the revised estimates the current year's revenue surplus was put at Rs 26.51 crores as against the original estimate of Rs 14.09 crores.

Names in the News

Mr. V. Subha Rao, till recently General Manager of Andhra Bank Ltd has taken over as Chairman-cum-Managing Director of the Export Credit and Guarantee Corporation Ltd.

COMPANY AFFAIRS

Optimistic Mood

Cheerful conditions were witnessed on the stock exchange during the past week. The market drew its strength from the various statements made by different ministers especially the Finance minister. The market was hopeful that the forthcoming budget would not incorporate any hefty rise in the rates of taxation. Rather it might allow some fiscal concessions to boost industrial production and help capital formation. Hopes of modifications in the dividend legislation and lowering of the bank rate also induced buoyant conditions in the market. Will the budget fully meets the market's optimistic expectations? For the answer one has to wait till February 28.

Opening on a study note the prices of leading equities further forged ahead in Dalal Street on renewed short-covering in the first part of the week but profit-taking at higher levels by anxious bulls partly wiped out previous gains towards the week end. The week concluded on a optimistic note. Volume of business was fair and undertone optimistic. The Calcutta Stock Exchange firmed up during the week under review. In the clearing section Birla Jute, Dunlop Kesoram, Orient Paper, Indal. GKW, JK Rayon, and Rohtas were active either due to short covering or on replacement buying. But most of them encountered profit-taking at bulges. Activity on the Madras Stock Exchange during the week was restricted to select shares. Textiles, chemicals, industrials and plantings attracted interest at firm rates.

Gwalior Rayon

The Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd., pioneers in the field of staple fibre manufacture is proud in having obtained an order for the export of staple fibre plant and machinery to the Republic of Korea. The order, a major one running in value to about seven million US dollars is from Messrs. Sejin Rayon Co. Ltd. of Seoul and it has been secured against keen global competition, particularly from Japan and the United States. It provides for the supply of machinery for a 30 tonne-a-day staple fibre plant within a period of 15 months, i.e. by about September, 1975. Gwalior Rayon is just making the first shipment worth about one million US dollars of sophisticated machines and expects to complete supplies of the balance of the equipment over the next seven months and thus fulfil its obligation of shipping the entire plant within the stipulated time of 15 months.

The South Korean Plant will be based on the know-how developed by Gwalior Rayon whose technicians will be assisting the Seoul company to erect and successfully commission the plant to obtain the guaranteed performance both in regard to production as well as raw materials input. While in the process of fulfilling its commitment, Gwalior Rayon has imparted to the Sejin Rayon technicians training in its plant at Nagda in Madhya Pradesh in the matter of specialised operations and maintenance techniques involved in the manufacture of staple fibre based on its know-how.

The export of this plant, the first of its kind for India in the field of export of non-traditional chemical engineering and technology for the production of rayon staple fibre, is the result of Gwalior Rayon's increasing effort at self-reliance. Not only was it the first unit in the country to manufacture versatile, gossamer light staple fibre, it has the unique distinction of being the first in the world to produce commercially rayon grade pulp from out of non-traditional multiple varieties of wood for the manufacture of staple fibre, and rayon filament. It has also specialised in the fabrication of entire plant and machinery for staple fibre and rayon units.

Earlier, Gwalior Rayon imparted the benefits of its enterprise and experience to the South India Viscose Ltd., Coimbatore, when about a year ago it commissioned for it a 20 tonne-a-day viscose staple fibre plant, which it had delivered earlier, together with ancillary units, on a turn-key basis to the entire satisfaction of South India Viscose, as it is able to obtain production at a rate higher than the guaranteed capacity of the plant. Incidentally, barely two months ago, Gwalior Rayon obtained orders from Iran, Kenya and Bangladesh for the export of Sodium Sulphate worth Rs.1.75 crores, while over the last ten years alone it has helped save the country through the manufacture of staple fibre and other products foreign exchange worth Rs 366.65 crores.

Metal Box

Metal Box Company of India has decided to diversify its activities in the core sectors to manufacture wide range of machinery and other engineering products. These efforts are directed towards further Indianisation of the company which has presently 60 per cent foreign holding. The company had already submitted a proposal to the government to reduce the foreign equity holding to 40 per cent. The company has developed its ow technological base and present it is exporting engineerin products such as mechine components, tools, dies an other products to even the mos developped countries of th world. The diversification plan are geared to supplement th needs of the Indian engineerin industry to make best use o export potential.

ICICI

The Industrial Credit an Investment Corporation o India is offering for publi subscription 10,000 debenture of Rs 5000 each at 99 per cen i.e. Rs 4950 each, with a right t retain excess subscription u to 10 per cent of the issue. Th debentures will bear interest a the rate of 6.25 per cen per annum and will be pay able half-yearly on April an October 1. The debenture are redeemable at par o April, 1, 1985. The subscrip tion list opens on March 3 an will close on March 7 or earlie but not before March 5. Th debentures are being issued fo the purpose of augmenting the Corrporation's resources t meet the demands of industry for financial assistance.

National Rayon

National Rayon Corporation has reported substantia improvements in its workin results during the period ended December 31, 1974. Gross sales during the year increased to Rs 35.85 crores from R 31.23 crores while net sales rose to Rs 30.46 crores, recording a rise Rs 4.78 crores over 1973. Gross profit was higher at Rs 661.41 lakhs a compared to Rs. 575.44 lakhs in the earlier year. The directors have recommended a gross divident of Rs 11.60 per equity share. If the dividend Act is modified or amended before the date of the annua general meeting it is the intention of the board to recommend a higher dividend. The dividend for 1973 was R 30 per share which was subsequently reduced to Rs 11.20 per share following dividend curbs. The balance of R 18.80 is being separately held as the amount owing to the

From tractors to textiles, Escorts Ltd., where do you draw the export line?

USSR
UK
AFGHANISTAN
USA
IRAN
UAR

1974 marked the beginning of a breakthrough in agricultural exports from India. When Escorts won an order for tractors and farm equipment worth over one million pound sterling from Afghanistan against stiff global competition. A testimony of International Standards for Indian products and the Company's export marketing expertise!

Besides Escorts' own products, however, it exports a wide range of industrial and consumer products. From engineering components produced by small scale industries to sophisticated industrial equipment. From handwoven textiles to world class tractors. An unlimited range. Escorts draw the line only where quality is concerned.

The Escorts International Division, an 'Eligible Export House' recognised by the Government of India, is performing a dual function : on the one hand it locates foreign buyers for Indian products and on the other, it identifies and helps build up export potential among the Indian industry. It has created and developed hundreds of small scale manufacturers, helping them with technical knowhow and even finance where necessary to make their products export-worthy. Rendering total export service : right from market research and product inspection to packaging and shipment.

From October, 1974, Escorts entered its 30th anniversary year and is making this an occasion for corporate introspection. One of the questions the people at Escorts are asking themselves is : how well have we performed as exporters ?

Looking back at the achievement in the export field, Escorts has reasons to feel happy. For not only has it helped itself to exports but has helped others as well.

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areholders out of the gross ofit, the directors have propriated a sum of s 96.94 lakhs to deprecia- on reserve, against Rs 108.49 khs in the previous year hile the allocation to deve- pment rebate reserve was duced from Rs 10.15 lakhs Rs 3.75 lakhs. Taxation sorbed Rs 291.00 lakhs as mpared to Rs 275.00 lakhs 1973. After adjustments an nount of Rs 207.90 lakhs s been transferred to the neral reserve as against Rs 3.30 lakhs in the earlier ar.

tis Elevator

Otis Elevator Co. (India), gaged at present in the anufacture, installation and rvicing of various types of evators and other compo- ents, is embarking upon a ajor expansion scheme. The mpany has been permitted expand its capacity from 30 to 750 elevators per an- um on the basis of the maxi- um utilisation of plant and achinery subject to an ex- ort obligation of 10 per ent of the excess production r five years. The company as also received letters of tent for the manufacture of scalator and travelators as lso high speed gearless ele- ators operating at speeds of 00 feet per minute. The xpansion programme is esti- ated to cost Rs 66 lakhs. o meet a part of the cost f the expansion scheme the ompany soon will be offering o the public for subscription 25,000 equity shares of Rs 0 each at a premium of Rs 0 per share. This will help o reduce foreign equity share- olding from 70 per cent to 6 per cent.

ata Oil Mills

The Tata Oil Mills Com- any has announced a rights ssue of convertible bonds in rder to overcome the "sharp scalation in costs and the pre- ailing financial stringency". he company proposes to ffer, subject to the consent f the government and other oncerned authorities, a rights ssue of 353,177 secured ten- ear convertible bonds of Rs 65 each, the total amounting to about Rs 2.30 crores. The bonds will be offered to the existing shareholders in the ratio of one bond for every five equity shares held. Each fully-paid bond of the face value of Rs 65 will bear interest at 10.5 per cent per annum or at such rate as may be approved by the Controller of Capital Issues, the interest being paid half-yearly.

The bonds will be redeemable at par at the end of 10 years from the date of issue but the bond-holders will have a conversion option at the end of five years entitling them to exchange each bond for an equity share of Rs 25 at Rs 40 and one non-convertible bond of the face value of Rs 25. These conversion terms should be adjusted appropriately in the event of any issue of rights or bonus shares prior to the last date fixed for exercising the conversion option. The convertible bonds will be secured by a floating charge on the company's liquid assets subject to the existing charges on such assets.

Electric Construction and Equipment Co.

Electric Construction & Equipment Company Ltd has reported satisfactory performance during the year ended October 31, 1974. With a brisk advance in net sales from Rs 9.35 crores to Rs 11.14 crores, the gross profit too recorded a smart rise to Rs 94.77 lakhs from Rs 88·54 lakhs in 1972-73. Out of the gross profit the directors have appropriated Rs 34.99 lakhs to depreciation reserve, Rs 0.70 lakhs to development rebate reserve. Rs 28.00 lakhs towards taxation and Rs 42-776 as directors' commission as against Rs 32.32 lakhs Rs 15.25 lakhs, Rs 13.50 lakhs and Rs 43.198 provided respectively in 1972-73. The net profit after these allocations, was still appreciably higher at Rs 30.64 lakhs as compared to Rs 27.04 lakhs in the previous year. The directors have recommended an equity dividend of 3.5 per cent for the year in view of the dividend ordinance as against 10 per cent paid in 1972-73. The proposed equity dividend will obsorb Rs 5.95 lakhs and will be paid out of the general reserve.

Production of transformers hardly totalled 449,124 KVA during the year as against 664,999 KVA in the previous year, but the output of electric motors amounted to 70130 HP during the year as against 64,198 HP in the previous year. Motor sales touched the record figure of Rs. 13.14 million as against previous year's figure of Rs 9.00 million.

The switchgear Division of Budge Budge showed signs of recovery in view of a fair order-book position. But the Vizag switchgear Division has been dull due to lack of demand. Production of lifts rose to Rs 9.00 million during the year from Rs 6.00 million in the previous year. The pending order book of lifts on date has recorded an all time high in number and value. Meter division has reported higher production and better profitability 1973-74. During the year 3,73,000 single phase and 1,50,000 poly phase meters were produced as against 2,85.000 single phase and 1,51,000 poly phase meters during the previous year. The company also succeeded in introducing other varieties of meters to the different electricity boards. The virtual power-famine in Haryana throughout the year has been a great set-back to the proper growth of the lamp division.

The production during the year has been mainly in the last three months of the year and it amounted to 2·01 million GLS Lamp and 0.11 million fluorescent tubes. The total production during the next year is expected to reach at least the licensed capacity. The contract division has been operating for the last eight to nine years and has gained useful experience in handling different railway electrification contracts. After completing the Western Railway electrification contract, ECE Contract Division has been awarded another contract for the electrification of the Railway track between Madras-Gudur for a value of about Rs 30 million to be completed in thirty months. A more scientific re-organisation of work has already been planed in this division and better working results are expected during the year.

News and Notes

An agreement for the establishment of a bank known as **Egyptian American Bank** with its headquarters in Cairo, has been signed recently.

The new Bank will be 51 per cent owned by Bank of Alexandria, 49 per cent by American Express International Banking Corporation (AEIBC). Of $30 million authorised capital $10 million will be paid-in. The bank, which has been authorized to transact business in both Egyptain pounds and foreign currencies, will offer a full range of commercial banking services, including Egyptain-pond deposit and financing facilities, as well as foreign trade financing, foreign exchange, term lending and project finance· Services will be oriented primarily towards Egyptain customers and projects.

The **Jain group** of Delhi, having interests in steel tubes, vanaspati and other items, has acquired controlling interests in **Hindustan Breweries and Bottling Ltd**. The group has bought about 52 per cent of Rs 25 lakh paid-up equity capital at Rs 8 per share of Rs 10. The shares are currently quoted around Rs 7.50 in Delhi. The new management has already taken steps to install additional balancing equipments including brewing tanks and filling machines and has plans to put new brands of beer into the market.

Reliance Textile Industries (Pvt) Ltd. manufacturers of internationally well-known 'Vimal Fabrics', has made rapid strides on the export front, so much so that today it accounts for 66 per cent of the country's total exports of synthetic fabrics. It is not surprising therefore if the company's products are readily sold in markets as demanding and competitive as the USSR, the USA, Canada and the UK, as well as in other European and middle east countries. Apart from retaining its supremacy abroad, the company is steadily widening its horizons at home by opening a number of shops all over the country, the latest add'tion being the opening of a second exclusive show room in Delhi at Bhawnani & Sons, 8F, Connaught Place, New Delhi.

Usha Breco Ropeways engaged in manufacturing, erecting and commissioning of ropeways, cableways and rope way components, has received a valuable export order for total steel work of 500 tonnes and 250 tonnes of mechanicals for aerial ropeway for calcimine plant in Iran. This order has been secured against stiff competition with east European countries. This would earn valuable foreign exchange to the tune of Rs. 43 lakhs. This export of fabricated structures and mechanicals for aerial ropeway is first of its kind. Usha Breco has recently completed and commisioned 16 KM long 150 T.P.M, Monocable for M/s Mysore Cements Limited at Ammasandra in the state of Karnataka for transportation of limestone from their quarry to the factory.

New Issues

U.P. Straw and Agro Products, promoted by Dhampur Sugar Mills, is setting up a project for the manufactur of 10,000 tonnes of corrugating medium, a special type ef paper, in UP. To raise part of the resources required for the implementation of this project the company would soon be entering the capital market with a public issue of Rs. 1.08 crores, all in equity shares of Rs. 10 each at par. The total cost of the project is estimated at Rs. 4.65 crores which will be met by the share capital of Rs 1.80 crores (of which shares worth Rs 72 lakhs will be subscribed by Dhampur Sugar Mills). The technical know-how is available indigenously. Trial runs are expected to commence by May 1976 and commercial production in the following month. On present reckoning net sales during 1976-77 are estimated at Rs 2.25 crores yielding a gross profit of about Rs 68 lakhs.

Wheels India, engaged at present in the manufacture of wheels for cars, jeeps, tankers and commercial and other vehicles will be approaching the capital market sometime in May with a public issue of Rs 44 lakhs all in equity shares of Rs 100 each at a premium of Rs 15 per share. The proceeds of the issue will be utilised to meet a part of the capital outlay required for the implementation of its expansion programme.

The project by **Modarn Batteries and Auto-Corporation** of Bombay for the manufacture of 1,20,000 automotive batteries and 10,000 each of train lighting cell, stationary batteries and 10,000 (1,80,000 cells) traction batteries has been approved by the government.

The Rupees eight-crore project is being set up in technical collaboration with Messers Varta A.G. of West Germany and is expected to be fully implemented by the middle of 1976, on an eleven-acre site at Vapi in Gujarat. A public limited company is being formed and it is expected that the promoters will very shortly go in for a public issue.

Apollo Tyres Limited is enterning the capital market shortly with a public issue of Rs 5.30 crores comprising 48,00,000 equity shares of Rs 10/- each and 50,000 (11 per cent redeemable cumulative preference shares of Rs. 100 each at par.

The company is setting up a project at Chalakudy in Trichur district, Kerala for the manufacture of automobile tyres with an annual installed capacity of 5,00,000 each of tyres and tubes and 3,000 tonnes per annum of camel back/retreading materials.

The project is being promoted by Mr Raunaq Singh, his associates and friends. Technical collaboration with General Tire International Company, Akron Ohio, USA, one of the largest tyre manufacturers in the world, would ensure the latest technical know-how, engineering and technical services, to the company. The total cost of the project will be to the tune of Rs 25.50 crores. Capital goods clearance for Rs 650 lakhs has been granted to the company subject to obtaining necessary foreign exchange loans from ICICI and IFCI. The necessary import licences are expected to be issued very shortly.

New Registrations

In the southern region comprising the states of Tamil Nadu, Andhra Pradesh, Karnataka, Kerala and the union territory of Pondicherry, 252 new companies (28 public, 220 private companies and 4 guarantee companies) have been formed during the quarter ended December 31, 1974 as against 203 new companies (27 public, 174 private companies and 2 guarantee companies) during the preceding quarter. The total authorised capital of these companies is Rs 5688.86 lakhs which is much lower than the previous quarter's figure of Rs 6928.32 lakhs. Out of these new registratlons, 19 are giant-sized companies each having an authorised capital of Rs 50 lakhs and above and ten are big sized, each with an authorised capital of Rs 25 lakhs and above but below Rs 50 lakhs each.

Capital and Bonus Issues

Consent is granted to the following 12 companies to raise capital of over Rs 6.66 crores. Nine of these are issuing bonus shares.

Bombay Ring Travellers Co. Ltd. Bombay, has been granted consent, valid for a period of three months, for issue of bonus shares worth Rs 20,59,200.

Lingapore Estates Ltd., Bombay, is to capitalise Rs 213,050 out of its general reserves in the ratio of one bonus share for every two equity shares held. The consent is valid for 3 months.

Petlad Bulakhidas Mills Co. Ltd. is to capitalise Rs 9,75,936 out of its general reserve and issue fully-paid

DIVIDENDS

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Sidhpur Mills	March 31, 1974	12.0	10.0
Rashtriya Metal Industries	March 31, 1974	5.0	Nil
Tulsipur Sugar	June 30, 1974	8.0	Nil
Same Dividend			
Air Conditioning Corpn.	March 31, 1974	Nil	Nil
Shree Sajjan Mills	March 31, 1974	10.0	10.0
Standard Motor	March 31, 1974	Nil	Nil
Yemmiganur Spg.	June 30, 1974	12.0	12.0
Union Jute	March 31, 1974	Nil	Nil
Reduced Dividend			
Reliance Jute	March 31, 1974	3.8	10.0
Surat Electricity	March 31, 1974	5.0	12.5
Kesar Sugar Works	September 30, 1974	12.0	30.0

shares as bonus shares
ie ratio of one bonus
s for every one equity
held. It is valid for 3
hs.

ynamid India Ltd., Bom-
has been granted consent,
for a period of three
ths. for issue of bonus
es worth Rs 70,14,600
.

Jowrosjee Wadia & Sons
Ltd. Bombay, is to capi-
e Rs 20,00,000 out of its
ral reserves in the ratio of
bonus shares for every
e equity shares held. The
sent is valid for 3 months.

Prayog Electrical Pvt. Ltd.,
ibay, is to capatalise Rs 90,000 out of its free reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus shares for every one equity share held. The consent is valid for 3 months.

Raipur Mfg. Co. Ltd., Ahmedabad, is to capitalise Rs 25,00,000 out of its general reserve and issue fully paid equity shares as bonus shares in the ratio of one bonus share for every three equity shares held. The consent is valid for 3 months.

Premier Mills (CBE) Ltd., has been accorded consent, valid for three months, to capitalise Rs 25,00,000 out of its capital redemption reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus shares for every two equity shares held.

Sundaram-Abex Ltd. Madras, has been accorded consent valid for 12 months onlv, for issue of capital of Rs 22,50,000 (inclusive of capital already raised) in equity shares of Rs 10 each, for cash at par to be subscribed privately.

Shriram Fibres Ltd., New Delhi, has been accorded consent for issue of further capital of Rs 93,33,340 in equity shares of Rs 10 each, for cash at par, as rights shares.

Apollo Tyres Ltd., has been granted an acknowledgement, valid up to August 25, 1975 for issue of Rs 200 lakhs in equity shares for cash at par privately to promotors and associate companies.

Travancore Rayons Ltd., Kerala, has been accorded consent, valid for 12 months, only for issue of further capital of Rs 1,77,50,000 divided into 7,75,000 equity shares of Rs 10 each and 1,00,000 (8.5 per cent) debentures of Rs 100 each credited as fully-paid up to the shareholders of the Indian Overseas Bank Ltd. in terms of the scheme of amalgamation approved by the High Courts of Kerala and Madras on July 7, 1974 and July 21, 1974 respectively.

Readers' Roundtable

Levy Price for Sugar

Sir, The prospect of an
-time record of 4.3 million
nes or even a little more
the sugar output in the
rrent season should not
ke us adopt an attitude of
mplacency towards the
oblems facing the industry.
s it is, there is a likelihood
a sharp fall in the output
the next season. The rea-
ns are not far to seek. In
e first place, the bright
ospect of higher transfer
rnings from land on account
switch over to other crops
ich as rice and wheat and a
nsequent shift from the cane
op to other remunerative
ops should not be under-
stimated. In the second
lace, the dampening of the
itiative of the sugar mill-
wners by the government not
llowing a reasonable levy
rice for sugar especially in
e light of the need for paying higher cane price will have a disastrous effect on the implementation of the expansion programmes of the mills. In the third place, the increase in the free market quota by five per cent has already had a depressing effect on sugar prices. Also, the increased availability of khandsari and gur should cause a further fall in prices.

One is unable to understand the indifference of the government of India in regard to the pricing policy for sugar. When the millowners asked for a higher levy sugar price, it granted a five per cent increase in the free market quota on the assumption that it will enable the mills to compensate the losses which they might incur on account of higher cane price and escalated costs of other inputs. Actually, this is far from the truth as it can be proved that the losses on levy sugar sale will not be adequately compensated by profits on free sugar sale. The downward trend in prices and increased availability of khandsari are bound to affect the return from free market sales. Even in regard to exports, the factories do not have any advantage as the excess amount earned on exports by the government is not shared with the mills.

The industry has to take advantage of the present trend in international prices and adopt measures for maximum earning by way of foreign exchange through increased exports. Here, we have to act without losing time. Otherwise many "cut-agreements" will take place and this will affect our competitive position in the international market.

A matter of concern in the near future will be a higher recovery in the beet crop which will affect the international price of cane sugar. The time has therefore come when we have to think of an equitable sugar policy. What is unfortunate is perhaps the attitude of the government which while granting a higher cane price is not prepared to accept a higher sugar price. So long as the need for a higher sugar price is not granted, the targetted output of six million tonnes for the fifth Plan will not be achieved.

Three measures are essential for achieving the targetted output. They are: (1) higher levy price, (2) sharing of excess profits from exports with the mills, and (3) higher excise duty rebate for longer crushing seasons. If these three requirements are recognised, not only can we produce 6.5 million tonnes of sugar by the end of the fifth Plan, but might even exceed this target.

C. S. MAHADEVAN
Madras

May be the sun is good for your skin,

but is it good for your suit?

Constant exposure to the sun can give your suit that old look. It gets faded and dull. It loses that newness, that elegance! A Jiyajee Suiting has that brightness of colour, that fastness of colour! A Jiyajee Suiting has that lustre and a wide range to offer. Yes, a Jiyajee Suiting can take the sun and a lot more.

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SHIRTING & DRESS MATERIALS

JIYAJEERAO COTTON MILLS LTD., BIRLANAGAR, (M.P.)

RECORDS AND STATISTICS

Railway budget: 1975-76

Mr kamalapati tripathi, the central Railway minister, did not propose any changes for passenger fare in the budget for 1975-76 which was presented to Parliament on February 20, 1975. However, he recommended an increase in freight rates for foodgrains, manganese ore and iron ore. Mr Tripathi said that at current freight rates, the loss to the railways would be Rs 35 crores on the movement of 15.5 million tonnes of foodgrains in 1975-76. The proposal to bring foodgrains within the framework of standard tariff in the second lowest classification of goods would yield on additional revenue of Rs 35.5 crores. Similarly, the rationalisation of freight rates for manganese ore and iron ore would bring in an additional Rs 3.5 crores. Consequently, the budget for 1975-76 is expected to show a surplus of Rs 23.03 crores instead of a loss of Rs 15.97 crores.

Given below is the full text of the Railway minister's budget speech:

Before I deal with these estimates, I would like to recall the very valuable contributions made by my able predecessor, Late Lalit Narayan Mishra, in shaping the policy and period in their history. During the last two years the Railways had to grapple with unparalleled situations not only in industrial relations but also in financial viability. The House is aware of the various measures that have been taken in the last two budgets to avert a serious derailment of Railway finances.

In the last budget, we had recounted three factors, namely, the state of national economy, the deterioration in staff discipline and the impact of Pay Commission's recommendations as accepted and liberalised by government, which caused a vast change in the financial performance of Railways in 1973-74. In the Revised Estimates it was assessed that the gross traffic receipts of the Railway Undertaking would fall short of the estimated amount by Rs 93.20 crores. Similarly, it was anticipated that the working expenses, which had also been under heavy pressure, would overrun the original Budget Estimates by Rs 34.77 crores, even after realising an economy of Rs 17 crores. Tha dividend liability to General Revenues was, however, estimated to come down by nearly Rs 4 crores. It was concluded that instead of earning a surplus of Rs 23.86 crores the Railways will have a deficit of Rs 99.75 crores.

The last quarter of the year, unfortunately, turned out to be worse than assumed and the revised freight target of 192 million tonnes could not be realised. It fell to 185 million tonnes, inclusive of departmental traffic. Shortfall also occurred in passenger traffic due to suspension of some train services. Thus, when the accounts for the year were finally compiled, gross traffic receipts were found to be Rs 32.11 crores less than the Revised Estimates.

A silver lining in the cloud was that the working expenses also went down by about Rs 18 crores. While the appropriations to Depreciation Reserve Fund and to the Pension Fund were maintained at Rs 115 crores and Rs 16 crores respectively, the dividend liability to General Revenues, on actual computation, came to Rs 170.92 crores against the Revised Estimate of Rs 168.60 crores. The year-end deficit which was assessed at Rs 99.75 crores in the Revised Estimates rose to Rs 115.51 crores. The Railways could not discharge in full their dividend liability as the balance in Revenue Reserve Fund, after borrowing from General Revenues, fell short of actual requirements by Rs 15.79 crores. The liquidation of this liability was carried over to 1974-75. Excluding this sum of Rs 15.79 crores, the indebtedness of the Railways on March, 31 1974, rose to Rs 208.02 crores. 1973-74 was truly, in all respects, a depressing year in the financial history of the Railways.

Right from the beginning, 1974-75 was seen as a year of stress and strain. The Budget Estimates for 1974-75 projected a deficit of Rs 52.79 crores. Hon'ble Members are fully aware that the gathering storm of the previous year finally broke in May last, culminating in a country-wide Railway strike. The House was kept fully informed of the earnest efforts made by the administration to prevent the agitation which impaired our transport capability in the first quarter of the year.

Shortly after the strike was called off, a rapid re-appraisal revealed that in the three months of April to June, 11.8 million tonnes of freight traffic had been lost. It was realised that the originating traffic during the year would not exceed 197 million tonnes, made up of 173 million tonnes of reveuue earning traffic and 23.8 million tonnes of departmental traffic. Passenger traffic had also declined as the number of passengers carried was nearly 150 million less than in the corresponding period of the previous year. Other Coaching earnings had also suffered. Consequently, in the first quarter railway earnings dropped by Rs 92.45 crores as compared with the Budget proportion. The trend of earnings foreshadowed a shortfall of approximately Rs 140 crores during the year. In this situation, fares and freight rates had to be raised to recoup the anticipated deficiency of Rs 140 crores in earnings. Hon'ble Members will recall that the introduction of the revised tariff was deferred by a week to enable consideration of the proposals by Parliament. This postponement reduced the current year's effect of adjustments by about Rs 5 crores.

At the same time, working expenses were rapidly mounting up. Railways are a labour intensive organisation and the wage bill of million and a half employees constitutes the bulk of their running expenses. Staff costs during 1973-74 had risen steeply for reasons referred to earlier. The year 1974-75 saw no abatement in this trend as three retroactive revisions in the rates of dearness allowance imposed a further burden of Rs 56.44 crores. Moreover, an additional liability of Rs 50.37 crores arising out of Labour Tribunal Awards and other concessions to organised labour (Rs 28.50 crores) and increase in coal prices (Rs 9.70 crores) had to be taken into account. The aggregate financial implication of all the unbudgeted factors was calculated to be Rs 106.81 crores. However, in September last, supplementary grants for only Rs 56.44 crores were obtained, which were just sufficient to cover the cost of three increases in dearness allowance. The balance amount of approximately Rs 50 crores was promised to be saved from working expenses through further intensification of economy measures.

In the post-strike period, a variety of measures were adopted to improve our efficiency. A number of special steps were initiated to rehabilitate rolling stock;

overtake the arrears of maintenance which had accumulated during the two years of labour unrest: step up operations through increased block-rake movements and ensure more intensive utilisation of assets. Efforts were simultaneously directed to achieve higher productivity through better supervision and administrative guidance; and economy in consumption of stores and fuel through management techniques. Faster disposal of scrap and reclamation of waste were also attempted. It was recognised that the revised traffic projection for the current year could be reached only if the monthly level of traffic carried in the remaining months was approximately 15 million tonnes, gradually rising to 16 million tonnes.

Our transportation performance has been eminently successful as the Railways during November and December have lifted over 15 million tonnes each month. The offerings of foodgrains, fertilizers, POL products and cement have been fully moved. Raw materials to steel plants have been carried as required and transport of finished steel products stepped up to reduce their accumulated stocks. The House will be glad to know that in the movement of coal, marked improvement has been achieved. In close collaboration with the Ministry of Mines, loading records have been created during the last few months, particularly from the outlying coalfields. The daily coal loading in November, 1974 averaged 8516 wagons against 7300 only six months ago. This performance was raised further in December last with an average of 8638 wagons per day. Even this record was surpassed in January, 1975 when an average daily loading of 8901 wagons was attained.

This achievements is of particular significance in the context of the oil crisis which has led to a greater country-wide dependence on the availability of coal. There has been some curtailment in the volume of departmental traffic in the wake of squeeze on Plan outly. In the result, the total originating freight traffic during the current year is now anticipated at about 192 million tonnes despite the loss of 11.8 million tonnes in the strike-affected period. The revenue earning content is estimated at about the same level as assessed in August last. This target connotes an increase of about seven million tonnes over the achievements, of last year. If department traffic is excluded and only revenue earning traffic is compared, the increase over the last year's level would be nearly 10 million tonnes.

Concerted efforts to work to our potential have produced results on the Board Gauge system which, to use a mechanical metaphor, is now working on all the cylinders. On the other hand, movement on the Metre Gauge is a bit sluggish and has not picked up as well. Operational fluidity on the Metre Gauge system is yet to be restored so that traffic traversing that area, particularly to and from stations in the North-Eastern part of the country, can move freely. The problems inhibiting the growth of traffic in this area have been studied and pin-pointed and remedial steps devised. I am hopeful that the results would be fruitful.

Passenger traffic has belied estimates. The Railways during the first eight months of this year have carried 220 million passengers less than the corresponding period of last year. Half the shortfall is attributable to the May strike and the other half to the unavoidable cancellation of a number of passenger trains due to shortage of loco coal.

The Revised Estimates of passenger earnings have, in the circumstances, been placed at Rs 405.85 crores or Rs 15 crores less than the Budget Estimates. Following cancellation of passenger trains, the associated coaching tariffs has also fallen. The revised estimate of 'Other Coaching' traffic has to be scaled down to Rs 68.58 crores. Goods earnings have been retained at Rs 899.82 crores, which was the Budget anticipation. Sundry earnings as estimated are likely to be realised. Consequentially, gross traffic earnings are now estimated at Rs 1413.15 crores or Rs 20 crores less than the budgeted figure.

We had provided that cash realisation would be six crores short of the value of our physical output. This amount is likely to go up to Rs 12 crores, as the payment of our dues is not so prompt. Special drive. however, is being made to collect our outstandings, before the close of the financial year.

In the aggregate, gross traffic receipts are, therefore, expected to be Rs 1401.15 crores—Rs 26 crores less than the Budget Estimate of Rs 1427.15 crores.

I am conscious that economy in expenditure is essential so that the burden of rising prices and mounting staff costs may, to some extent, be mitigated. As mentioned earlier, the Railways were set an economy target of Rs 50 crores in working expenses. I am happy to inform the House that the promised saving of Rs 50 crores has been fully achieved. The saving has come in handy as our budget for working expenses can absorb the shock of three instalments of dearness allowance recently sanctioned by government, which will cost the Railways Rs 39 crores in the current year. The Revised Estimates of working expenses have, therefore, been fixed at Rs 1191.55 crores or Rs 13.26 crores less than the extant grants.

Appropriations to the Depreciation Reserve Fund of Rs 115 crores and to the Pension Fund of Rs 16 crores, as provided in the original budget, remain unchanged. The dividend liability to General Revenues for the current year, is expected to be Rs 189.33 crores. The drop in gross traffic receipts, payment of enhanced dearness allowance and variations in th amount of dividend liabilit to General Revenues hav altered the financial results a the year-end. The mid-yea appraisal had shown that th deficit of Rs 52.79 crores projected in the budget estimat would rise to Rs 109 crores After allowing for Rs 5 crore on account of deferred introduction of the revised tariff, a drop of Rs 26 crores in gros traffic receipts and after addin Rs 39 crores for payment o dearness allowance, the defici should have gone up to Rs 17 crores. The saving of ove Rs 50 crores in the workin expenses, to which I hav referred, would help to brin it down to Rs 128.19 crores.

After a re-appraisal of Pla resources in August last year we were advised that the allocation for investment on Railways would have to be curtailed. A review of groun balanees and materials in th pipeline was urgently undertaken. Deliveries of material on order, which were not u gently required, were staggered, where possible, in consultation with suppliers. Furthe purchases were limited to th minimum quantities considered essential for maintenanc and operation. The value o work-in-progress in workshop was reduced by increase productivity and speedie financial adjustments. Thes measures, particularly th curb on purchases, secured reduction of Rs 0.94 crore i inventories as against th budgeted increase of Rs 7.0 crores. As a total saving o about Rs 25 crores had to b achieved in the Plan outla for the current year. the ou lays on approved projects we also reviewed. While ensurin that no sanctioned schen suffered, the *inter-se* prioriti of works were re-arranged the changed context a the expenditure regulate accordingly.

For Plan outlay in 1975-7 the Railways have been allo ted Rs 308 crores, excludin Rs 10 crores for Metropolita Transport Projects outside th Railway Plan and Rs 10 cror for investment in State Roa ransport Undertakings. The location is even less than he reduced allotment for the urrent year and, in the background of appreciable increase n material prices and wage ates, the physical content of he development plan will naturally be compressed.

In these circumstances, it s only correct that in distributing the resources, the proper maintenance of existing ssets should receive paramount attention. My predecessor had brought to the notice of the House the backlog of maintenance and repair schedules and the need to overtake them speedily. Consistent with this objective, expansion schemes already sanctioned for increasing repair and overhaul facilities in railway workshops are being expedited. Construction of some new, as well as extension of existing, loco sheds are also proposed. The possibility of diversifying production units to undertake repair and rehabilitation of sick rolling stock will be explored. Heavy corrosion of steel-body coaches, in the tropical climate of the country requiring extensive repairs, has come to notice. Facilities for this type of work are also proposed to be set up.

Honourable Members will recall that construction of a broad gauge line in the area served by the erstwhile Shahdara - Saharanpur Light Railway was approved on the basis of equal participation by the Railways and the UP. state government in its construction and operation. A joint corporation was to be set up for this purpose. Construction is proceeding apace within the funds made available by the government of UP and the allocation found possible by the Railways.

Approval of Parliament was obtained for the construction and operation of new broad gauge lines in area covered by the Howrah-Amta, including Bargachia-Champadanga branch and Howrah-Sheakhala Light Railways. It was visualised that it will be possible for the state government of West Bengal to participate equally in the construction and operation of these lines. The government of West Bengal has, however, now intimated that in view of its serious financial position it is unable to accept this burden and that it will be able to contribute only land, free of cost, for the Howrah-Amta broad gauge line. As the inability of the state goverament stems from its difficult financial position, I am bringing this change in the financial arrangements to the notice of the House.

The Railway Convention Committee, in its latest report in December 1974, has recommended, and the Parliament has approved, that in addition to continuing the various concessions given earlier, the remission limit for dividend payable on Capital works-in-progress should be raised from 25 per cent to 50 per cent. This additional relief has, for the present, been allowed for 1974-75 and 1975-76 and amounts to Rs 1.40 crores and Rs 3.91 crores respectively. I am grateful to the Chairman and other Members of the Convention Committee for this benefit and their sympathetic consideration of the Railways' problems.

Metropolitan Transport Project Organisations, which have been placed temporarily under the administrative control of the ministry of Railways pending the constitution of a separate authority, have continued to make progress in the preparation of techno-economic feasibility studies in Madras, Bombay and Delhi. Actual construction has started in Calcutta area. Construction of the Dum Dum-Tollygunge Rapid Transit Line—the first underground railway in India —was sanctioned in 1972 at an estimated cost of Rs 140 crores. On re-assessment, which takes into account the recent increase in labour costs and muterial prices, but excludes escalation of prices and interest charges during the period of construction, the estimated cost has risen to Rs 250 crores. The financing of higher costs has necessitated a review of its construction programme.

In the Bombay area, feasibility studies for Corridor 7 and detailed designing in respect of Corridor 6 are in hand. Similarly, detailed designing for rapid transit corridors in Delhi and Madras which have been identified in consultation with the Planning Commission will be undertaken in 1975-76.

Looking ahead, traffic projections of the fifth five year Plan and their extension to a time horizon of 15 years indicate that our trains will have to consist of much heavier trailing loads than at present, particularly in respect of movement on the ghat sections and for the carriage of coal and iron ore traffic. It is envisaged that if the Railways' investment on line capacity is to be optimised, trains of 4500 tonnes, rising to 7200 and, in some areas, possibly to 9000 tonnes may have to be run. It is not possible for the existing locomotives and wagons to reach this level of line haul capacity. We are, therefore, already in search of appropriate models for future use. Higher capacity wagons would have to be designed and produced indigenously and heavy duty locomotives manufactured indigenously or obtained from abroad. Provision for the import, if necessary, of such heavy duty electric locomotives has been made in the third Czech credit agreement signed in December 1973.

The need for a new type of coach with much larger carrying capacity has also been felt so that the pay-load of passenger trains can be improved and larger number of passengers transported per-train. These requirements necessitate prolonged studies, detailed designing, prototype production and successful trials before they are produced in commercial quantities for use on line, Our Research, Designs and Standards Organisation, Lucknow, is presently engaged on this important long-term assignment.

Labour relations have shown considerable improvement after the unhappy events of May last. In the last few months, railwaymen have displayed keener sense of responsibility and greater devotion to duty. In appreciation of all-round increase in productivity which has lately taken place, I have decided to condone the break in service of all railway employees except those who are charged with sabotage or violence. I firmly believe that only an enlightened management evokes the best response from its employees. Apart from augmentation of personnel cadres, I expect senior railway officers to establish direct contacts with the staff working under them, so as to maintain good industrial relations. It is only by fostering the spirit of mutual understanding and confidence that agitations can be avoided. We aim at making all railwaymen feel that there is an identity of interests between them and the management and both strive for a common national and corporate goal. Well-being of the staff forms a cornerstone of this policy.

I have directed the Zonal Railway Administrations to deal with all service matters speedily and sympathetically, wherever employees are not charged with sabotage or violence. The Railway Board are giving finishing touches to a comprehensive scheme to upgrade a number of posts at all levels in the non-gazetted cadres. This should improve the career prospects of employees as well as give them greater job satisfaction.

Effective from 1975-76, the level of government contribution to the Staff Benefit Fund has also been doubled *i.e.*, from Rs 4.50 to Rs 9.00 per employee, so that welfare activities and relief measures to the staff in times of distress do not suffer for want of funds.

In the first half of the current year, as well as in the previous year, the Railways' physical and financial performance reeled under near-stagnation in industrial economy, inflation in costs, disturbed staff relations and the impact of new scales of pay and rates of dearness allowance. The staff relations have since stabilised at a happier note and the scales of pay recommended by the Pay Commission have been fully implemented. The prospects for the next year, therefore, depend on the health of our industrial and agricultural economy as also on the cost-of-living index.

There is a general apprehension amongst economic analysts that recession-*cum*-inflation will deepen and economy in the highly developed countries will get worse before it gets better in 1975-76. On the other hand, our economic outlook is less gloomy, if not positively better. Indications are already visible that the various measures taken by the government, for containing prices and for giving a fillip to industrial and agricultural activity, are beginning to bear fruit. The winter rains have been timely and adequate with the result that a good rabi crop is expected. Let us hope Nature will be equally kind during the months of monsoon.

In the mining sector, the production of iron ore is showing signs of picking up. The output of coal has already been stepped up and significant growth is planned for 1975-76. Heavy snowfall during this winter should improve the availability of water for hydel generation. With better power supply the industrial sector is bound to perform at a higher level of production. Against this agricultural and industrial background, one could legitimately be optimistic about higher offering of traffic to railways. Since the railways are also working at higher efficiency, a target of 210 million tonnes of originating freight traffic seems realistic and within our reach. Of this target, 20 million tonnes are attributable to departmental non-revenue traffic which has been kept at the same level as in the current year. The Railways hope to carry revenue traffic of 190 million tonnes, up by 18 million tonnes over the current year's tonnage.

Passenger traffic has lately been showing a mixed trend. While the total number of passengers carried in 1973-74 was almost the same as in the previous year, the suburban traffic continued to grow but the non-suburban traffic showed negative growth and fell by 51 millionp assengers. In the current year, this trend has further accentuated. The fall in non-suburban passenger traffic beyond the strike-affected period is mainly due to cancellation of trains. The Hon'ble Members know that faced with shortage of loco coal the railway administration had to curtailed some of their branch line passenger train services. Now that the production of coal has begun to gather momentum, it should be possible for us to build up our stocks. Subject to this contingency restoration of cancelled trains will be commenced from March 1, and progressively in creased in the next few months.

Taking these prospects of goods and passenger traffic into account, gross traffic receipts at the existing level of fares and freight rates have been estimated at Rs 1631.86 crores. Goods earnings have been assessed at Rs 1045.50 crores, as against the expected earnings of Rs 899.82 crores in the current year. We hvve estimated our passenger earnings at Rs 477.06 crores, up by Rs 71.21 crores over the Revised Estimates. 'Other Coaching' earnings are also expected to improve in sympathy with passenger earnings and have been raised from Rs 68.58 crores in 1974-75 to Rs 76.10 crores. Sundry earning have been marginally increased from Rs 38.90 crores in the current year to Rs 39.20 crores in the next year.

Working Expenses for 1975-76 are estimated to be Rs 1298.28 crores, which include Rs. 54 crores for accommodating the full-year cost of three dearness allowance instalments recently sanctioned. There is also a provision of Rs 42.74 crores for additional expenditure on repairs and maintenance of various assets in sheds and shops. The estimates also include nearly Rs 23 crores to meet the higher fuel bill for larger volume of traffic assumed for the next year.

The appropriation to Depreciation Reserve Fund has been maintained, in accordance with the wishes of the Railway Convention Commitee, at Rs. 115 crores, but contribution to Pension Fund has been marginally raised by one crore of rupees to Rs 17 crores. Expenditure on Open Line Works Revenue and other miscellaneous items will go up by nearly Rs. 2 crores. The dividend liability, after taking credit for the relief granted by the Railway Convention Committee in its last interim report, is calculated to be Rs 197.88 crores. Counting all these items of anticipated revenue and expenditure, the year is expected to end with a deficit of Rs 15.97 crores.

Hon'ble Members will recall that railway tariff was comprehensively adjusted from April 1, 1974. Supplementary charges were levied effective from the September 15, 1974. I see the next year generally as a period of stabilisation in the rate structure of rail-borne traffic, both passenger and goods. I would expect the Railways to concentrate and improve upon their financial performance and public image by enhancing the volume of their business and bettering the quality of their service. The House and the Railway users will be glad to know that I do not propose to make any changes whatsoever for passenger travel in any class. Likewise, the freight rates already in force will continue undisturbed except for minor rationalisation in the tariff of foodgrains (including pulses) and iron ore and manganese ore for export.

As the Hon'ble Members are aware, foodgrains and pulses are carried at rates below the bare operating cost. Approximately half the quantity is carried on government account for public distribution and the balance is consigned by private parties. In the current year, the Railways will suffer a loss of Rs 34.5 crores in lifting 14.5 million tonnes of these commodities. In 1975-76 this loss is expected to go up to Rs 35 crores on the movement of 15.5 million tonnes. It is proposed to bring the commodities, generally described as foodgrains, within the framework of standard tariff and place the bulk of them, *i.e.* wheat, rice and jowar in the second lowest classification of goods. The proposal will yield an additional revenue of Rs 35.5 crores, which will just about neutralise the loss. On an average, incidence of this proposal on prices will be as low as 2.5 paise per kg. I am sure that the good rabi crop will easily absorb this marginal expenditure.

Iron ore and manganese ore for domestic consumption pay a different charge from consignment meant for export. In terms of transport effort on the part of the Railways, there is no valid reason for this differential tariff. I, therefore, propose to treat them alike and place them in the same common classification. This rationalisation would fetch the Railways an earning of Rs 3.5 crores.

A memorandum is being circulated to the Hon'ble Members describing the proposals in detail. These two modifications, which will come into force from April 1, 1975, will yield Rs 39 crores during 1975-76. With this additiona revenue, the deficit of Rs 15.97 crores will be converted into a surplus of Rs 23.03 crores, of which Rs 18 crores will be utilised on defraying expenditure chargeable to Development Fund and the balance of Rs 5.03 crores will be credited to Revenue Reserve Fund.

It will be my endeavour to improve the efficiency of Rails in all respect with the objective of ensuring bet- service to the public and thy finances for the un- aking. Observance of punc- ity, in which lapses cause ous inconvenience to pas- gers, will be closely watch- More satisfactory service be sought to be provided rail users. both in passen- travel and movement of ods. Special consideration l be given to the econo- ally backward areas while iding laying of new rail- y lines or gauge conversions. ilarly, the present policy the government to give cial encouragement to Sche- ed Castes and Scheduled bes in recruitment and pro- tion will continue to be lowed with vigour. Fulfil- nt of reserved quotas will be tematically monitored in ard's office.

It is high time that the ucated youth are more sely associated with biggest national under- king in the country. It is oposed to give representa- n to educational institu- ns in Divisional and Zonal nsultative Committees. The sibility of setting up facilities for reservations at the university campus before the commencement of vacations will also be examined. Greater impetus will be given to our policy to allocate bookstall and catering and vending contracts, cycle-stands, booking agencies, etc. to groups or cooperatives of genuine unemployed educated youth.

I have come to the end of my exercise, which requires me to lay before the Parliament an annual statement of estimated receipts and expenditure, but before I sit down, I would like to sum up the three years of Indian Railways with which I have dealt with today. 1973-74 was predominantly a year of staff unrest. Year 1974-75 has been a veritable watershed, marking the end of cheap sources of energy and the emergence of rising staff costs. I look upon 1975-76 as the year of promise, stabilisation and steady growth all round. It appears that the Railways are seeing the end of the tunnel. I am sure, taking new bearings, the Railwaymen will march forward in pursuit of higher physical performance and better financial results.

Railway budget : proposals explained

Details of the adjustments in the freight rates for foodgrains (including pulses) and for Iron ore and Manganese Ore for export, proposed in the Budget Speech, are given in the following paragraphs:—

Foodgrains (including Pulses)

At present the tariffs for foodgrains are outside the framework of the general freight structure and are much below cost. The extant rates for foodgrains which came into force in 1969 have remained static during the last five years. With the cost of operation going up year, by year, the loss in their transportation has been steadily increasing.

Being a stable traffic of considerable proportions, it is necessary that at least the

TABLE I

The Existing and Proposed Clasification of Foodgrains

Commodity group	Existing		Proposed	
	Wagon loads	Smalls	Wagon loads	Smalls
Grain and pulses—				
Division A— (Pulses, gram, paddy, oats, peas, etc.)	32.5-R	45-C	37.5	60
Division B— (Rice, wheat, jowar, ragi, bajra, etc.)	30-A Spl.)	45-C	35	55
Flour (excluding gram flour)—Atta, maida etc.	35-A	50-C	37.5	60
Gram flour	37.5-R	50-C	40	60
Rice, parched	80-B	90-C	80	95
Grain and pulses, N.O.C.	57.5-B	67.5-C	57.5	75

TABLE II

The Existing and Proposed Rates for Foodgrains in Wagon Loads for Certain Distances

(Rates per quintal inrupees)

istance n Kms.	Grain and pulses— Division A (Such as pulses, gram, oats, paddy, etc.)		Grain and pulses— Division B (Such as rice, wheat, jowar, bajra, etc.)		Flour (Atta, maida, sooji etc.)		Gram flour		Grain and pulses, N.O.C.		Rice, parched.	
	Existing (32.5-R)	Proposed (37.5)	Existing 30-A (Spl.)	Proposed (35)	Existing (35A)	Proposed (37.5)	Existing (37.5R)	Proposed (40)	Existing (57.5B)	Proposed (57.5)	Existing (80-B)	Proposed (80)
00	0.92	1.30	0.81	1.23	0.96	1.30	1.03	1.37	1.20	1.86	1.61	2.49
00	1.35	1.89	1.21	1.79	1.40	1.89	1.53	2.00	1.93	2.75	2.64	3.73
00	1.72	2.45	1.54	2.31	1.79	2.45	1.96	2.59	2.62	3.59	3.59	4.89
00	2.40	3.47	2.17	3.26	2.52	3.47	2.74	3.68	3.95	5.16	5.45	7.05
50	3.20	4.87	2.84	4.56	3.29	4.87	3.66	5.17	5.47	7.28	7.55	9.99
000	3.94	6.05	3.43	5.66	3.98	6.05	4.52	6.43	6.75	9.08	9.35	12.49
500	5.21	8.21	4.48	7.69	5.21	8.21	5.98	8.72	9.12	12.40	12.63	17.10
.000	6.28	10.07	5.42	9.42	6.30	10.07	7.22	10.71	11.27	15.24	15.63	21.07
.500	7.19	11.52	6.11	10.77	7.12	11.52	8.27	12.26	12.73	17.46	17.67	24.16

costs in their transport are covered. It is, therefore, proposed to bring the rates for these commodities in alignment with the current costs and within the framework of the standard freight structure. Rice, wheat, ragi, etc. which fall under the commodity classification "Grain and pulses —Division B" will be placed at class 35 for wagonload movements. In respect of gram, flour, pulse, etc. suitable adjustments will be made likewise. The details of the existing classes both for wagonloads and 'smalls' together with the proposed class levels in the standard freight structure for all the commodities falling under the general heading of Foodgrains are given in Table I. The existing and the proposed freight rates for foodgrains for certain representative distances are shown in Table II.

Transhipment Charges for Foodgrains.

Likewise, transhipment charges for foodgrains (including pulses) are proposed to be placed at the same level as for other commodities. The existing and the proposed transhipment charges are given below:

Rates per Quintal

Existing	Proposed
10 paise*	35 paise

*A supplementary charge of nine per cent is leviable in addition.

Iron Ore and Manganese Ore Meant for Export.

At present Iron Ore and Manganese Ore intended for export are in a lower class than those ores carried for domestic consumption.

Export Iron Ore from Bailadilla area is now at class level 37.5 (wagonloads) and that from other areas at class level 40, as against the general tarff classification of class level at 42.5. It is now proposed to place them on par with the classification applicable to Iron Ore for internal movement.

Similarly, Manganese Ore for export is now charged at class 42.5 as against the normal classification of 47.5 applicable to internal movements. It is also proposed to charge all movements of Manganese ore uniformly at class 47.5.

The existing and the proposed rates for these ores for certain representative distances are given below.

(b) Export of Iron Ore from Areas other than the Bailadilla

Distance in Kms.	Existing rate at class 40 per tonne.	Proposed rate at class 42.5 per tonne.
	Rs	Rs
100	13.70	14.40
150	16.80	17.70
200	20.00	21.10
250	23.00	24.30
300	25.90	27.40
400	31.50	33.30
500	36.80	38.90
600	43.80	46.40
700	49.00	51.90
800	54.30	57.50

The Existing and Propos Rates for Irod Ore and Ma gance Ore meant for Export wagon loads for certain repr sentative distances (a) Expo of Iron ore from Bailadilla Vishakhapatnam.

Distance	765 kms.
Existing rate at class 37.5	Rs 49.70 p tonne.
Proposed rate at class 42.5	Rs 55.80 p tonne.

(c) Export of Manganese ore

Distance in Kms.	Existing rate at class 42.5 per tonne.	Propos rate at class 47 per ton
	Rs	Rs
100	14.40	15.80
150	17.70	19.50
200	21.10	23.20
250	24.30	26.80
300	27.40	30.20
400	33.30	36.80
500	38.90	43.10
600	46.40	51.40
700	51.90	57.60
800	57.50	63.80

Annexur

Revenue Receipts and Expenditure of Indian Government Railways 1969-70—1975-76

(Figures in thousands of rupee

	Actuals, 1967-70	Actuals, 1970-71	Actuals, 1971-72	Actuals, 1972-73	Actuals, 1973-74	Budget Estimate, 1974-75	Revised Estimate, 1974-75	Budget Estima 1975-7
Capital at charge@	3195,51,16	3330,78,02	3520,99,34	3725,81,49	3893,37,58	4095,41,36	4098,69,80	4271,19,
Traffic Earnings								
(a) Coaching—								
(i) Passengers—								
Upper	31,53,33	35,70,73	39,09,06	41,38,88	43,42,13	42,25,00	38,88,51	46,68,
Second	247,32,88	259,78,65	281,03,74	302,41,82	323,72,50	378,60,00	366,96,49	430,37,
Total Passengers	278,86,21	295,49,80	320,12,38	343,80,70	367,14,63	420,85,00	405,85,00	477,06,
(ii) Other Coaching	48,07,30	62,11,09	69,43,11	65,64,54	59,34,98	73,58,00	68,58,00	76,10,
(b) Goods	294,28,17	618,22,46	675,29,96	720,68,47	680,40,99	899,82,00	899,82,00	1084,50,
(c) Sundry, Other earning,	34,16,10	33,40,06	36,83,72	35,59,60	40,08,65	38,90,00	38,90.00	39,20,
Total	955,37,78	1009,22,99	1101,69,59	1165,73,31	1146,99,25	1433,15,00	1413,15,00	1676,86,
Suspense	—4,09,92	—2,54,20	—5,10,23	—3,31,10	—9,10,74	—6,00,00	—12,00,00	—6,00,
*Gross Traffic Receipts	951,27,86	1006,68,79	1096,59,36	1162,42,21	1137,88,51	1427,15,00	1401,15,00	1670,86,

---

*Includes Receipts of worked lines	61,86	25,47	56,77	55,70	24,85	56,89	60.82	61,3

@Excludes Capital-at-Charge on MTP

—(*Contd.*)

Revenue Receipts and Expenditure of Indian Government Railways 1969-70—1975-76

(Figures in thousands of rupees)

	Actuals, 1969-70	Actuals, 1970-71	Actuals, 1971-72	Actuals, 1972-73	Actuals, 1973-74	Budget Estimate, 1974-75	Revised Estimate, 1974-75	Budget Estimate, 1975-76
Working Expenses								
rdinary Working Expenses								
(i) Administration	75,16,68	81,04,89	87,64,50	91,96,74	102,29,82	121,64,42	132,38,01	137,56,83
(ii) Repairs and Maintenance	223,77,20	248,53,05	272,73,59	309,89,55	356,11,21	432,78,62	445,72,69	385,99,49
(iii) Operating Staff	141,37,83	157,38,81	175,74,97	183,48.48	205,29,91	253,19,19	270,53,83	280,34,84
(iv) Operation Euel)	151,17,03	136,93,00	155,92,57	162,36,64	158,88,31	207,86,94	193,11,82	235.20,50
(v) Operation other than Staff and Fuel	36,53,75	37,99,20	41,94,95	44.69,57	46,70,11	52,44,59	60,31,85	66,68,68
(vi) Miscellaneous Expenses	33,08,71	33,99,19	36,73,83	36,22,58	37,20,77	40,14,52	48,31,36	50,02,92
(vii) Staff Welfare	23,76.11	26,28,81	28,44,70	30,22,09	33,73,97	42,52,90	44,91,94	46,57,59
Total	684,87.31	734,16,95	799,19,11	858,85,65	940,24.10	1150,61,18	1195,31,50	1302,40,85
Suspense	+6,70	—1,83,58	—3,87,27	—2,22,76	—4,91,17	—2,23,78	—3,76,15	—4,13.08
Total—Ordinary Working Expenses	684,94,01	732,33,37	795,31,84	856,62,89	935,32,93	1148.37,40	1191,55,35	1298,27,77

—(*Contd.*)

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Revenue Receipts and Expenditure of Indian Government Railways 1969-70—1975-76

(Figures in thousands of rupees)

	Actuals, 1969-80	Actuals, 1970-71	Actuals, 1971-72	Actuals, 1972-73	Actuals, 1973-74	Budget Estimate, 1974-75	Revised Estimate, 1974-75	Budget Estimate, 1975-76
Appropriation to Depreciation Reserve Fund	95,00,00	100,00,00	105,00,00	110,00,00	115,00,00	115,00.00	115,00,00	115,00,00
Appropriation to Pension Fund	9,90,00	14,85,00	11,38,00	15,85,00	15,85,00	15,85,00	15,85,00	16,80,00
Payment to Worked Lines								
(a) Net earnings	15,72	13,50	13,53	12,57	13,32	13,39	13,39	15,65
(b) Rebate	1,79	1,80	1,79	1,79	1,79	1,79	1,79	1,79
Total Working Expenses	790,01,52	847,33,67	911,85,16	982,62,25	1066,33,04	1279,37,58	1322,55,53	1430,25,21
Net Traffic Receipts	161,26,34	159,35,12	184,74,20	179,79,96	71,55,47	147,77,42	78,59,47	240,60,79
Miscellaneous Translations—								
(a) Receipts—								
(i) Other receipts from subsidised companies	3,86	2,48	2,68	6,63	2,65	3.70	4,33	3,89
(ii) Other Miscellaneous Receipts	27,74	24.02	34,85	28,34	27,66	19,65	38,25	21,75
(iii) Receipts from surcharge on passengers	..	..	..	..	..	8,00,00	7,31,00	7,53,20
Total Receipts	31,60	26,50	37,53	34,97	30,31	8,23,35	7,73,58	7,78,84
Expenditure								
(i) Land	..	..	..	..	..	..	..	..
(ii) Subsidy	43	..	75	..	91	1,20	1,20	2,00
(iii) Surveys	81,89	73,04	69,72	31,70	74,99	1,35,67	96,15	92,20
(iv) Other Miscellaneous Expenditure	6,79,19	7,19,18	7,91,02	8,17,75	8,78,06	10,10,90	10,62,71	11,30,95
(v) Open Line Works —Revenue	7,30,22	6,81,11	7,29,78	7,07,87	6,75,56	7,50,00	6,13,46	7,50,00
(vi) Appropriation to Pension Funds	10,00	15,00	12,00	15,00	15,00	15,00	15,00	20,00
(vii) Appropriation to Accident Compensation, Safety & Passenger Amenities Fund	..	..	..	..	..	8,00,00	7,31,00	7,53,20
Total Expenditure	15,01,73	14,88,33	16,03,27	15,72,32	16,44,52	27.12,77	25,19,52	27,48,35
Net Miscellaneous Receipts	—14,70,13	—14,61,83	—15,65,74	—15,37,35	—16,14,21	—18,89,42	—17,45,94	—19,69,51
Net Revenue	146,56,21	144,73,29	169,08,46	164,42,61	55,41,26	128,88,00	61.13,53	220,91,28
Payments to General Revenues								
(i) Dividend to General Revenues	156,38,96	164,57,66	151,24,46	161,50,58	170,91,63 (155,13,30)*	181,66,78	189,32,47 (205,10,80)@@	197,88,49
(ii) Payment in lieu of passenger fare tax								
(iii) Contribution to Railway Safety Works Fund								
Surplus (+) or shortfall (—) for the year	—9,82,75	—19,84,37	+17,84,00	+2,92,03	—115,50,37 (—99.72,04)@	—52,78,68	—128,18,94 —(143,97,27)@@	+23,02,7
Operating Ratio	83.0%	84.2%	83.1%	84.5%	93.7%	87.7%	94.4%	85.6%
Ratio of net Revenue to Capital-at-charge	4.6%	4.3%	4.8%	4.4%	1.4%	3.2%	1.5%	5.2%

*Represents actual payment of dividend to General Revenues as per Accounts.

@Deficit as shown in Accounts, c.f. explanation under paragraph 2 on page 1.

@@Includes unpaid dividend of Rs 15,78,33 thousands pertaining to 1973-74.

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ECONOMIST

MARCH 14, 1975

Mass or moss-grown?

—Editor

Mr Jayaprakash Narayan was not playing a game of numbers when he led what he called "the people's march to parliament" on March 6 in New Delhi. He, obviously, wanted to make two points: that his movement had a mass content nd that it was all-India in character. These facts, surely, were fully driven home n the occasion. I confess that I had not attended a mass political gathering for ome 28 years until I went to and sat on the Boat Club grounds on March 6. I had f course been present at some of the Red Fort gatherings which Jawaharlal Nehru sed to address on Independence Day. But Nehru was prime minister and those ccasions were more ceremonial and official than political. As for the election neetings which political leaders, big or small, national or state, were holding during arious election campaigns, I had been totally disinterested in them but, on March I felt that, for the first time since the era of a living Gandhi in our politics, there was ome mass awakening which was trying to express itself, however inadequately, through man in our public life who has no official patronage to dispense but has more than a arrow institutional following to inspire and lead. To me, therefore, it did not matter t all whether only 100,000 people took part in that march, or ten times that number. t was sufficient for me that a great number of my fellow-citizens had gathered there, onscious that a government, to which the electorate had twice given a massive mandate within the last five years, had somehow failed the nation and feeling strongly, even if vaguely, that this government should mend its ways.

All this does not mean, of course, that I, personally, am giving up my chosen position of an independent and critical observer of or commentator on public issues or national affairs and it is of course just not true that this journal is about to become another *Everyman's* but I am convinced that it is not just enough for this country to go on being governed the way it is, or for the prime minister or her party to be content to carry on business as usual. A general election is no doubt due well within the next twelve months, but politicians have become cynical about the ballot box as it is being used, while the people at large have very nearly lost faith in it. This is because factionalism in a larger sense — if it could be paradoxically so phrased—has given to the pursuit of power a priority which it cannot and should not have in a society which wishes or seeks to nurse an effective, democratic political system or way of life.

Unfortunately, consensus politics, through no fault of the concept itself, has acquired a reputation in our country for lack of purpose, direction or seriousness. However, given the gross paramountcy which ego-centred politics seems to have acquired over our national affairs, it has clearly become necessary for those who care for the democratic future of this country to compel political parties and politicians to think and act together along nationally accepted directions. This is why, when even such a normally confused junior-level politician as Mr Mohan Dharia stands up in parliament and demands that his party and its leader, the prime minister, should enter into a dialogue with Mr Jayaprakash Narayan as well as leaders of other political parties represented in the legislatures, the basic issues he has raised cannot be driven out of public debate merely by Mrs Gandhi dismissing him from her council of ministers. Mr Dharia has affrmed with obvious sincerity that it just does not matter to him that he ceases to be a minister. There is more than a personal angle to this because, if things are not put right in the nation, the council of ministers itself will cease to matter much for the people of this country.

The prime minister ought to realize that this nation, even after nearly three decades of independence, is just not able to find itself because its political processes have been perverted to prevent the plurality of feeling or thinking in the country from finding just expression, whether in the composition of the legislatures or the councils of the government. It would be tragic indeed if the inchoate but nevertheless real democratic

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aspirations of our people are to be continued to be stifled by the miasma of succeeding generations of the personality cult, or the manipulations of the electoral process to the permanent advantage of the 'haves' of the political order. The concentration of political wealth and incomes, so to speak, has indeed become the foremost threat to the public interest even in this country where mass poverty should ordinarily ordain priority to the diminution of economic disparities. There are of course undoubtedly large numbers of citizens who would respect Mr Jagjivan Ram or Mr Y.B. Chavan when he affirms that he could see no good coming to the country through the disruption or destruction of the nation's largest single political party. But they or other senior colleagues of the prime minister, and even the prime minister herself, should surely agree that the nation cannot indefinitely acquiesce in the monopolistic use by the Congress party of the latter's historic capital.

Right now there is talk of the pharmaceutical industry being regulated in the use of brand names. This is a technical issue on which there could be considerable discussion, but there is nothing technical about the fact that the country's democratic progress has been greatly obstructed by the present ruling party's indefinite and indiscriminate indulgence in the exploitation of the "Congress" brand name. Gandhiji, almost with his last breath, recommended that the Indian National Congress of the freedom struggle should disband itself so that the next generation of political leaders might not trade in its name without commitment to its moral or ideological essence. This in fact is also what Mr Jayaprakash Narayan is asking now and his plea has become all the more urgent because what Gandhiji foresaw might happen is in fact the case today. It was not for nothing that, when the ruling party split in 1969, the quarrel was more about the party flag and the election symbol than about where the country was going or should go. "Whither India?" was political rhetoric even as Nehru posed it. And it has remained rhetoric since. Meanwhile the present government's mandate has become less mass than moss-grown.

Deposits with non-banking companies

THE RECENT announcement by the central government relating to a reduction in the percentage of deposits and unsecured loans that can be accepted from the public and shareholders, as a proportion of paid-up capital and free reserves, to 40 per cent from 50 per cent and an indication by the union Finance minister, Mr C. Subramaniam, that the banking operations of non-banking companies would be suitably regulated, after the expert committee's findings had been received, have brought to the fore the question of how resources required by non-banking companies for all purposes should be mobilised. With the increase in capital costs and inflated working capital requirements due to rising prices even sound industrial units have been compelled to raise additional resources in various forms. In recent months deposits and unsecured loans have been accepted from investing public and share-holders to the permissible extent fully and fairly high rates of interest have been paid on deposits and unsecured loans. In view of the high rates of interest charged by lending institutions on advances to their constituents, industrial units have considered it desirable to raise their own funds on an unsecured basis without being obliged to answer all manner of questions from banks and pay interest on these amounts at rates which were much higher than those offered by the scheduled commercial banks for their deposits but which were lower than those charged by banks on short-term credit.

The squeeze in the money market is so severe and the gap in resources of industrial units so wide, that many establishments have been even accepting deposits and unsecured loans for periods up to five years with increasing interest rates for longer periods. There is no precise estimate of the amount accepted by non-banking companies from the public in this manner. It can hawever be easily Rs 250 crores in 1974 and some part of the decline in the growth rate of deposits of banks in the past year can be ascribed to the competition from non-banking companies for a share of available resources. The amounts retained by industrial units as a result of the curbs on payments of dividends out of disposable profits have also been helpful as industrial units could raise upto 50 per cent additionally deposits and unsecured loans for filling gaps in short-term and long-term finance.

In view of the complaints from banks that there was a large diversion of funds to be invested on a more remunerative basis with non-banking companies and the apprehensions expressed by depositors about the safety of their funds with some industrial units, the government has decided to reduce the aggregate of deposits and unsecured loans to 40 per cent from 50 per cent of paid-up capital and free reserves. The total of all deposits in 1971 was estimated at Rs 691 crores and this could have risen easily to Rs 1200 crores by the end of 1974. This would mean that there will have to be a return of at least Rs 240 crores to the public being 20 per cent o deposits and unsecured loans or 10 per cent of paid-up capital and free reserves of the non-banking companies involved. As the refunds have to be effective before the end of 1975 the plans of many non-banking companies have been seriously upset and it is now being examined how fresh deposits should be accepted and renewals of maturing deposits effected.

The new regulations for accepting fresh deposits had to be welcomed as the interests of depositors have to be more effectively safeguarded. Numerous failures to pay interest charges and return also deposits after maturity, when they were not renewed, have been reported and it has been represented to the Reserve Bank and the government tha they should assume some manner o responsibility for guaranteeing the safety of these deposits. The authorities are understandably unwilling to take any risks in this regard as it is not easy to formulate an insurance scheme and prescribe norms for funds, which are ntially unsecured, which will ensure ir safety. The expert committee will ely be examining the manner in which litional resources have been raised and method of disposition of these re-urces. There may also be some re-mmendations about how the acceptance these deposits should be regulated and e safety of these funds ensured.

What precisely is the main difficulty perienced by non-banking companies? e curbs imposed by the Reserve Bank the grant of additional credit to indus-ial units at a time when rising prices ve created problems in respect of work-g capital needs have compelled the insti-tions to borrow from outside sources. has not been possible for many units to sess their new needs in the light of cent developments and this difficulty is ot in any sense peculiar to the industrial oducers in this country. In Britain and sewhere even giants have been on the erge of bankruptcy and the British overnment has been obliged to bale em out with the grant of special loans.

A crisis of this magnitude has not how-er arisen in this country. But a stage as been reached where every establish-l industrial unit has to review its finan-al position and formulate plans for obilising fresh resources. Some indus-ial units have already decided to issue nvertible bonds at 10 per cent and there as been quite a good response from the are-holders and the public for the sues of these bonds which carry an in-rest rate of 10-10½ per cent and contain lso options for the bonds to be converted nto equity shares on attractive terms. s fresh deposits and unsecured loans annot be accepted by industrial units in e current year for amounts which will esult in the total of 1974 to be exceeded, any industrial units will have to think f issuing unsecured bonds or convertible nsecured bonds. There may even be ifficulties by the middle of this year hen maturing deposits have to be re-urned before they can be accepted again n the light of fresh additions to free eserves. The reduction in the overall atio to 40 from 50 per cent will virtually ean the denial of one year's growth n deposits on unsecured loans to the industrial units and in individual cases there will be serious problems in regard to the return of deposits and unsecured loans.

It has become imperative to attempt an overall assessment of the methods adopted for raising long term credit and securing short-term finance. In view of the varying profitability of working of different industries and the increasing tendency to adopt a higher debt equity ratio, it has not been possible for many industrial units to find even the margin amounts required for working capital purposes out of owned funds and deposits and unsecured loans have even provided part of these margins payable to banks. There are even some instances where overruns in capital expenditure over the previous estimates have had to be met by accepting deposits from the public. The question now is how to avoid an undue increase in total indebtedness and in what manner long-term capital needs can be met. There will obviously have to be a larger equity base and a better understanding of what should be the contribution of non-banking companies to their working capital requirements out of owned funds. Pending a satisfactory solution to these ticklish problems it will not be wise to impose unimaginative credit curbs or deny additional funds to industrial units for meeting over-runs. The term lending institutions and banks have to formulate definite procedures in consultations with the government and the Reserve Bank for granting long-term loans and short-term credit. There will also have to be a revival of the capital market with the offer of required incentives, and improvement in the profitability of working of industrial units. Fitful decisions in the absence of any integrated approach to outstanding issues can do more harm than good.

Prospects in jute

THOUGH THE 45-day-old jute strike has ended, it is too much to hope that labour-management relations in the industry will improve steadily in the coming months, leading to higher production and exports. In fact, there seems to be every likelihood of industrial relations to continue to be under severe strain in view of the defeat and disappointment suffered by the trade unions. The strike is estimated to have caused a loss of between Rs 800 and Rs 1000 per worker while the gains have been meagre. The industry has agreed to pay a lumpsum of Rs 120 to each worker who had worked for at least 100 days in 1974, to defray special expenses, to waive the recovery of the advance of Rs 56 paid in 1974, and not to resort to victimisation. The trade unions who had sponsored the strike had hoped that because of their united approach, persistent pressure, and tacit moral support from the central and the state governments, it would be possible for them to wrest substantial concessions from the industry. But the management rightly decided to stand firm, not only because of the industry's difficult financial position but also because of its unhappy experience with the unions who had shown scant regard for the sanctity of agreements and who were trying to exploit labour for political purposes.

It is necessary to recall that the tripartite agreement of 1972 conferred on workers immediate additional benefits of a total value of Rs 22 crores which rose to Rs 41 crores a year in February 1974. This agreement was to remain in force upto the end of December 1975. But in January 1974 the trade unions wanted to unsettle the 1972 agreement and they organised another strike which lasted for about a month. This was settled by an agreement which substantially benefited the workers. For the first time, time-rated workers secured a time-scale of pay while the wages of piece-rated workers also went up. Nevertheless, this agreement also did not help to ensure harmony in industrial relations. The fact that the jute industry had lost heavily in production and exports on account of the prolonged and acute power shortage did not deter the unions from paralysing the industry by launching another strike in January this year demanding higher bonus and cost of living allowances.

The political motivation of the sponsors will be evident from the demand for nationalisation of the mills. It is significant to note that out of a total of 142 work-stoppages involving 1,260,331 man-days in 1973, only 11 with a loss of 651,163 man-days were directly related to labour management in mills. Besides, go-slow tactics and organised indiscipline have been hindering productivity. In fact, some trade unions have not concealed their intention and determination to harass the management. The INTUC, AITUC, and HMS said in a joint statement issued on February 22 this year, that the withdrawal of the strike is "only a truce" and they called on the workers "to get ready for a fierce struggle ahead".

The strike in the current year is estimated to have resulted in a loss in production of 120,000 tonnes of jute goods valued at nearly Rs 45 crores. The loss in terms of foreign exchange was about Rs 27 crores. It is argued that the industry's profitability is not likely to be affected because of the increase in prices that has taken place in recent weeks. For instance, the price of hessian has gone up to Rs 5010 a tonne and of sacking to Rs 4075 a tonne, an increase of Rs 570 and Rs 325 respectively over the pre-strike period. But the costs of production have also increased and are expected to go up further. Besides, in the case of carpet backing while the fixed registration price is Rs 5200 a tonne, the cost of manufacture works to about Rs 5840. The Indian Jute Mills Association said in last December that the prices of stores and accessories had increased by nearly 80 per cent and the cost of power by 30 per cent and that the per-tonne average conversion cost of jute goods had shot up by Rs 600 during the preceding 30 months. The Association added that the increase would be higher if the impact on cost of power cuts were taken into account. The demand for Indian jute goods has recently shown a declining trend in many parts of the world especially in the USA. Between 1968 and 1973 the share of jute in the sphere of carpet backing fell from 81 per cent to 34 per cent for primary backing and from 71 per cent to 64 per cent for secondary backing. Carpet backing exports dropped from 225,000 tonnes in 1971 to 140,000 tonnes in 1974 and the outlook is considered to be rather discouraging. The government of India has recently sent a delegation to the USA consisting of representatives of the ministry of Commerce and the jute industry in order to study the market situation and explore the prospect for increasing exports. But even if the delegation is able to find larger scope for our jute goods, will the industry be able to offer them at competitive prices without causing frequent disruption in supplies?

The power situation which had caused immense harm to the jute industry until August last year once again threatens to deteriorate. Extensive and unscheduled load shedding had resulted in a loss in production to the jute industry of the order of Rs 18 crores in the first quarter of 1974 in addition to the loss of Rs 40 crores in the preceding two years. The scheme of power rationing which was introduced in August 1974 provided some relief but with the onset of the summer season, the availability of power has become difficult and it is feared that industries will have to face in the coming months unscheduled load shedding. The government of West Bengal should therefore give special attention to ensure that the jute industry is r
once again subjected to the kind of seve
power cuts as were imposed until recent

The government of India's pol
towards the jute industry has to be mc
pragmatic if it is to play its part eff
tively in the country's economy. In t
recent strike New Delhi seemed almc
wholly unconcerned about what w
happening to the jute industry's produ
tion and exports and left the matter
the state government to solve. Pr
Chattopadhyaya, the union Commer
minister, often castigates the jute indu
trialists, calling them "irresponsible" ar
being unsympathetic to the interests
workers and growers. But neither t
Commerce minister nor his other mini
terial colleagues have cared to conden
the disruptionist tactics of the trac
unions and their deliberate attempts t
create chaos in this vital industry. It
not properly realised that the trac
unions' methods affect adversely not on
production and exports but also the in
terests of cultivators. As the IJMA sa
in last December, "It is the policy
non-stop agitation on the part of th
central trade unions, which profess t
champion the cause of jute growers b
demanding a minimum raw jute pric
of Rs 100 a maund, that is largely r
sponsible for the fibre prices saggin
For years now, the unions have made
a regular practice of threatening an ir

Eastern Economist 30 Years Ago

MAR. 16, 1945

We cannot but regard the combined attack on the Planning Department and the refusal to vote supplies thereto by the major political parties in the Legislative Assembly as ill-advised and unfortunate. There may be sufficient political reasons for collaboration and joint plan of action; we are not concerned with them. But political strategy, like military strategy, must aim at crippling the opponent at vulnerable points. Instead of doing so, the Opposition joined hands to refuse supplies to the one department on which the country has been building its hopes for the future, thereby undermining its utility and destroying its confidence. The fact that, despite rejection of the demand for the Planning Department, the supply will be restored by the certificate of the Viceroy can afford no consolation to the public because the Opposition has failed to make a distinctic
between the political aspect of the fight and th
economic urgency of the country's economy.

That sense of urgency has been expressed by th
Planning Member in the following words: "Th
war is coming to an end. Millions of people wi
soon be unemployed. Two millions of soldier
will be demobilized; the purchasing power whic
has been created by the demands for war industrie
will come to an end. We have to plan the trans
tion from war to peace. Every country in th
world is far in advance of what we have done wit
regard to the preparation of post-war plans. I
the meantime until our unfortunate political dis
putes and difficulties are settled, are we to stand b
and do nothing and see the economy of this coun
try collapse, as it is bound to do if nothing i
done?".

ustrywise labour strike right in the iddle of the jute marketing season and anslating the threat into action when e arrivals of the fibre are at the peak."

The London *Economist* referred, in s issue of February 1, to "trade union thuggery which has forced factories to close or operate hopelessly uneconomically". The journal made these remarks while commenting on the economic conditions in Bangladesh. But this is a danger against which vigilance is necessary in our country as well.

Demand for pesticides

THE SET-BACK to the programme of utiisation of pesticides in agriculture was argely accounted by the droughts in 965-66, 1966-67 and 1972-73. As against he targeted area of 72 million hectares under plant protection by 1972-73, only 62 million hectares received this benefit. The conditions improved during 1973-74 so that the area covered by pesticides ncreased to 63 million hectares. This nearly 20 per cent rise in the use of pesticides in one year has encouraged the Pesticides Association of India to revise he estimates of demand for 1975-76 to 59,750 tonnes of pesticides, a figure ubstantially higher than 56,500 tonnes proposed by the task force appointed by he Planning Commission.

The task force had estimsted the requirements of pesticides by the end of he fifth Plan at around 77,000 tonnes on the basis of two factors. In the first nstance, the area under plant protection cover was expected to reach 100 million hectares by 1978-79 as against 63 million hectares by 1973-74. Secondly, the utiisation of pesticides was expected to ncrease in case of certain crops such as rice, pulses and oilseeds, where the inputs have been comparatively low till recently. t was felt that the loss of crops due to pests and deseases, which had been reckoned at 15 to 20 per cent in traditional agriculture, exceeded 50 per cent under ntensive cultivation programme. In other words, the introduction of high-yielding varieties of foodgrains and the implementation of the programmes for commercial crops would make the use of pesticides imperative.

The targets and actual achievements of the components of the area covered under plant protection during 1973-74, reveal the precise nature of shortfalls in the use of pesticides. It was targeted that general pest control and intensive treatment would cover 39.50 million hectares. Actually the programme exceeded the target to cover an area of 41 million hectares. There was, however, a substantial shortfall in the case of seed treatment area which covered only 11 million hectares as against a target of 24 million hectares. Similarly a shortfall was noticed in the case of rodent control too, where only six million hectares could be covered as against a target of 14 million hectares. These shortfalls were all the more depressing in view of the fact that the pesticides required for these operations were available in sufficient quantities from indigenous sources.

A significant step forward in the field of pesticides has been the extension of prophylactic measures, both by aerial and ground spraying operations, for pests appearing in endemic form. The union government has been expanding its surveillance and forecasting services which was limited to some extent due to the shortage of aircraft. Arrangements have been made for further import of fixed wing aircraft and helicopters under a credit agreement with the International Development Association. In addition, private operators have been permitted to acquire fixed wing aircraft from Yugoslavia under the trade plan against rupee payment. Hindustan Aeronautics also has commenced the manufacture of fixed wing agricultural aircraft with financial assistance from the Ministry of Agriculture. As a result of these measures aerial spraying operations covered nearly 6.2 million hectares during 1973-74 against a target of five million hectares.

The surveillance service proved useful during the last kharif, when the sugarcane belt in entire north India was plagued by epidemic outbreak of the Pyrillia pest. Timely plant protection measures averted serious loss in sugarcane production. Similarly epidemics of other pests and diseases were reported, such as virtual destruction of rice crop by brown plant hopper in the Kutnad area of Kerala, scab disease on apple in Kashmir valley, rust disease on wheat in Punjab and midge pests on jowar in Maharashtra. These and many other instances call for a further strengthening of the pest surveillance service in the country.

A recent development in the pesticides industry has been the indiscriminate proliferation of formulation units which were responsible for the sale of sub-standard and adulterated products. From 160 units in 1970-71, the number has increased to more than 600. As most of the units are in the small scale sector, it is rather hard to keep track of the incidents of supplies of sub-standard materials. In his annual address, Mr. G. C. Shroff, President, Pesticides Association of India, cited the case of a big formulator supplying sub-standard material and expected the government to take stern action. Although the registration committee set up under the Insecticides Act scrutinized insecticides for the grant of certificates of registration, the state government should take some stern measures to enforce quality of final products.

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POINTS OF VIEW

Containing non-Plan expenditure

A correspondent

THE BUDGET estimates for 1975-76 presented to Parliament by Mr C. Subramaniam, union Finance minister, clearly show that the central government has utilised fully the massive resources at its disposal for meeting a higher level of non-Plan and Plan expenditure and it has been considered necessary to impose heavy taxation again for boosting further governmental expenditure. While there may be some relief over the indication that the uncovered overall deficit for 1974-75 in the revised estimates will be only Rs 295 crores, excluding the temporary creation of credit of Rs 330 crores for financing bunching imports of foodgrains and fertilisers, the fact remains that the increase in the overall deficit by Rs 169 crores as compared to the budget estimate for 1974-75 has taken place mainly due to larger non-Plan expenditure.

What exactly would have been the outcome if there had been no buoyancy in tax revenues and an increase in capital receipts is difficult to say. The main benefit to the exchequer was from customs revenue which jumped to Rs 1,300 crores from Rs 936 crores and in income and corporation taxes to Rs 1460 crores from Rs 1,370 crores. Aggregate tax revenues in 1974-75 (revised) were as much as Rs 6127 crores against Rs 5,497 crores before providing for states' share of revenues of Rs 1,224 crores against Rs 1,197 crores.

non-tax revenue

There was also an improvement in non-tax revenue and aggregate revenue receipts jumped to Rs 6484 crores from Rs 5,639 crores after meeting the states' share of taxes. The surplus on revenue account however improved only to Rs 625 crores from Rs 232 crores indicating that a good part of the additional revenues was eaten up by higher expenditure on food subsidies, Defence services and payment of additional dearness allowances apart from an increase in the cost of administration.

The only satisfaction is that actual Plan outlay in the current year in financial terms will be better at Rs 2129 crores against Rs 2055 crores excluding extra-budgetary resources. An attempt has been made to increase the outlays on power projects, agriculture and on the development of collieries. Industrial projects too have been responsible for larger expenditure though it is not known to what extent physical targets will be achieved. As a result of the bulge in capital expenditure and the heavy accumulation of stock of fertilisers, the deficit in the capital budget has swelled to Rs 1250 crores from Rs 358 crores resulting in an overall deficit of Rs 625 crores against Rs 126 crores. The actual deficit will be much less as it is unlikely that the allocations under various heads would have been fully utilised.

restraint was possible

With the total of budgetary resources on revenue and capital accounts exceeding comfortably Rs 10,000-crore mark in 1975-76 on the basis of the massive tax effort of 1974-75, Mr C. Subramaniam could have refrained from imposing additional taxation of Rs 288 crores. Even if a higher Plan outlay of Rs 2558 crores against Rs 2,129 crores in 1974-75 (revised) had to be contemplated and assistance to states were also to be raised to Rs 1054 crores from Rs 911 crores, the required resources could be found through larger open market borrowing in new loans. It could also be expected that the surpluses of public sector undertakings would improve while tax revenues have been underestimated.

With the new levies in the interim budget of July last year being effective throughout 1975-76 and expectations of a higher level of industrial production, the anticipated additional income of Rs 239 crores for the centre's share in respect of additional taxes could be easily realised. As there is also scope for getting additionally Rs 150 crores in the capital budget, there was no justification for the new massive effort to impose heavy indirect taxes, which may have a discouraging effect on consumption. The gover
ment is probably under the impressic
that it will be in a position to export la
ger quantities of sugar, cement and oth
items if there is a decline in intern
consumption.

high excise duty

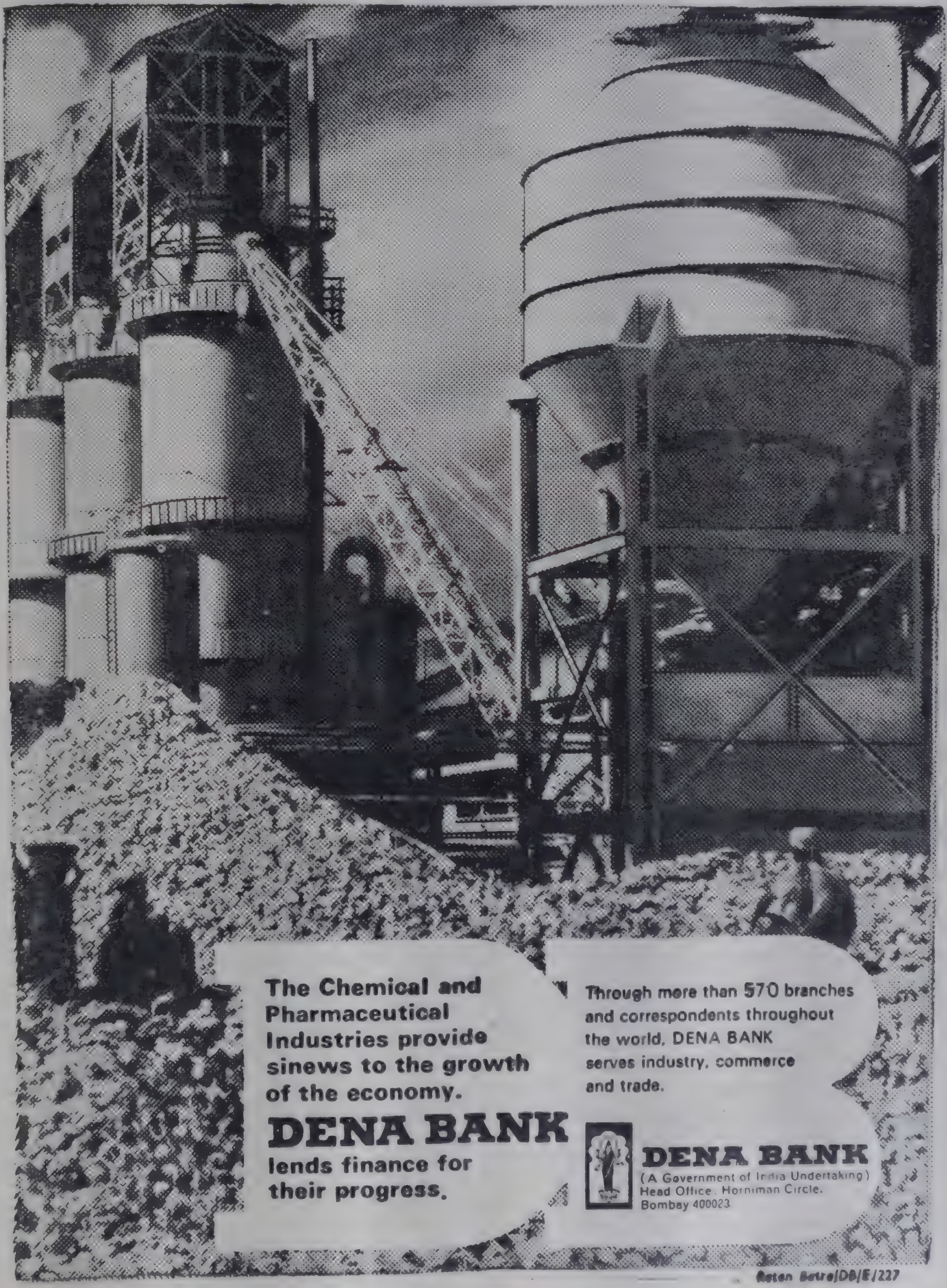
Alternatively, there will be an increa
in revenues from excise duties if ther
is absorption of larger quantities
sugar and cement in the home marke
But the fact should not be overlooked th
sugar output will constitute an all-tin
record at 4.5 million tonnes in the curre
crushing season and it will require a He
culian effort to raise exports to a millio
tonnes. Even then, there will be amp
availability for internal consumption an
it is genuinely apprehended by sugar pr
ducers that there will be a repetitic
of the experience of 1970-71 when sug
production slumped by over one millic
tonnes from the previous record of 1969-7
following decontrol and a heavy accum
lation of stocks.

The net effect of an ad valorem exci
duty of 45 per cent on a tariff value whic
is in excess of ruling open market pric
will seriously reduce profit margi
and compel sugar mills to work at a los
The textile industry too may have a sim
lar experience while cement producers a
wondering why the government is figh
ing shy of giving them a reasonable e
factory price when a prohibitive duty
being imposed on their output. The go
ernment should have taken note of th
rigorous effects of heavy indirect tax
before proceeding to raise freshly Rs 2
crores mainly through higher and ne
excise duties.

The borrowing programme for the ne
year could have been conceived more am
bitiously as it is likely that the bankir
system will be extending larger support
the new loans and there will also be bi
ger additions to resources of the Life I
surance Corporation and provident fund
Net borrowing however has been assun
ed at only Rs 324.88 crores against
494.80 crores, in 1974-75. Gross borrowir

naturally lower at Rs 532 crores against s 696.44 crores. There is only one maturg loan—4½ per cent 1975—outstanding the extent of Rs 207.12 crores hich is due for repayment on July 6, 1975. The government can hope to aise comfortably Rs 500 crores in 1975-76 ven after repaying the maturing loan. It as probably decided to set its sights ower in order to enable the state governnents to raise largel amounts or have a ushion for itself for meeting any unexpected increase in expenditure.

There will certainly be an increase in dearness allowances payable to government employees as a result of the negotiations for effecting adjustments in emoluments for price rises after the increase in the cost of living from 272 up to which level dearness allowances had been granted. There may also have to be larger Defence expenditure. But with no credit taken for US assistance, under-estimation of tax revenues and scope for larger capital receipts, the Finance minister had no excuse for resorting to additional taxation. Indeed, he has a special responsibility for ensuring that the huge resources at his disposal are fruitfully spent and not frittered away on undeserving Plan or non-Plan schemes. The government is in a position to control inflationary pressures with a judicious use of the vast funds at its disposal and it is needless to say that their misapplication will have the opposite effect.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The world crisis as seen in the west

Jossleyn Hennessy

London

WINDOW ON THE WORLD

I

Perpexity in Bonn

It is not the safest thing to travel in a boat with an elephant—one false move and the boat may capsize. The comparison of the elephant, by which Professor L. Albert Hahn meant the United States, which at one time as the dominant economy determined the course of the world economy generally, is once again beginning to apply. This is because the European Economic Community is proving to be less of a united, homogeneous whole and at best a customs union of states, whose interests in the field of economic policy often diverge and who accordingly go their own way in monetary and foreign policies.

This conduct on the part of member states is mainly the result of paying too great attention to differing political situations at home at the expense of what stability would require and this in turn leads to widely differing inflation rates within the community. Just because such differences are dynamite to any remains of monetary union, to a customs union and ultimately to free trade, the movements of that economic gaint, the United States, are regaining some of their importance, particularly when there are clear parallels between it and West Germany as regards the rhythm of the economy and when the two countries have similar structural difficulties.

West Germany can hardly be described as an elephant in economic terms, but it is fair to think of it as a horse within an EEC context—and some might see the comparison of the milch cow as occasionally more appropriate. In any case at present the United States and West Germany are together generating a gross national product worth approximately 5,000 million dollars per day, and this means that these two countries produce the equivalent of the annual gross national product of the United Kingdom in a month, that of the Netherlands in twelve days and that of Switzerland in a week. Looked at differently, were the production of goods and services by the United States and West Germany to come to a standstill for a few weeks, this would be equivalent to both the Netherlands and Switzerland ceasing production and consumption and thereby becoming inactive in the world economy for a year.

Viewed thus, it is not difficult to understand that, as the world economic climate plunged into decline, the troubled eyes of industrialised countries turned to Washington and Bonn, while the West German government itself put some additional urgent matters to the American administration. There is common concern that recessionary trends, such as were to be observed mainly in the United States but also in West Germany, might turn into a genuine depression and mark the beginning of a grave world economic crisis.

Among the chorus of worried voices was heard that of the London *Economist*, which towards the end of 1974 published an article critical of the West German government's stability policy and dubbed Chancellor Helmut Schmidt "deflator in chief"—a title scarcely intended as a compliment. According to the *Economist*, West Germany was seen by foreign observers as an international troublemaker which, because of its lower rate of price increases, was not caught up in the high rate of inflation prevailing in other countries, while its relative importance caused it to exert a deflationary influence on the world economy. Less blunt but similar were the demands on the White House in Washington to switch at last from its restrictive policy to one of expansion. Under dual pressure from within and without, the West German government was the first to act, although the weakening of the economy with its concomitan effects on the labour market were les obvious than in the United States. Th West German government also tool stronger measures to avoid recession tha did President Ford in his economic programme announced early in January which was expressly conceived as a battl on three fronts—against recession, inflation and dependence upon energ supplies. In Bonn, by contrast, the mai emphasis was on preventing recession.

Stagflation in the US

As early on as the beginning of October President Ford submitted a plan in whic he proclaimed inflation public enem No. 1 and which accordingly avoide any broad measures designed to reviv demand generally. The President confined himself to proposals for relievin unemployment in specific areas whic had been particularly hard hit and fo encouraging investment by industry. Th plan was less to loosen the tax screw tha to give it another turn. Not only wa this first effort stopped by Congress where the opposition is in the majorit several times over, but it was also overtaken by events—the shadow of recessio both spread and darkened without an noticeable lessening of inflationary pressure.

In December the number of American in employment fell by 550,000 to 85. million, thereby dropping no less tha 1.4 million below the September leve This was largely due to an unusuall sharp decline in orders received by thos

The world lacked a certain metal until India produced steel

In the ancient world, India was the first to produce carbon steel. Highly priced in world markets, ancient Indian steel was called 'Wootz'. Allusions to iron and steel in the Rig Veda lead to the belief that the Iron Age began in India 3,000 years before the industry was known in Europe.

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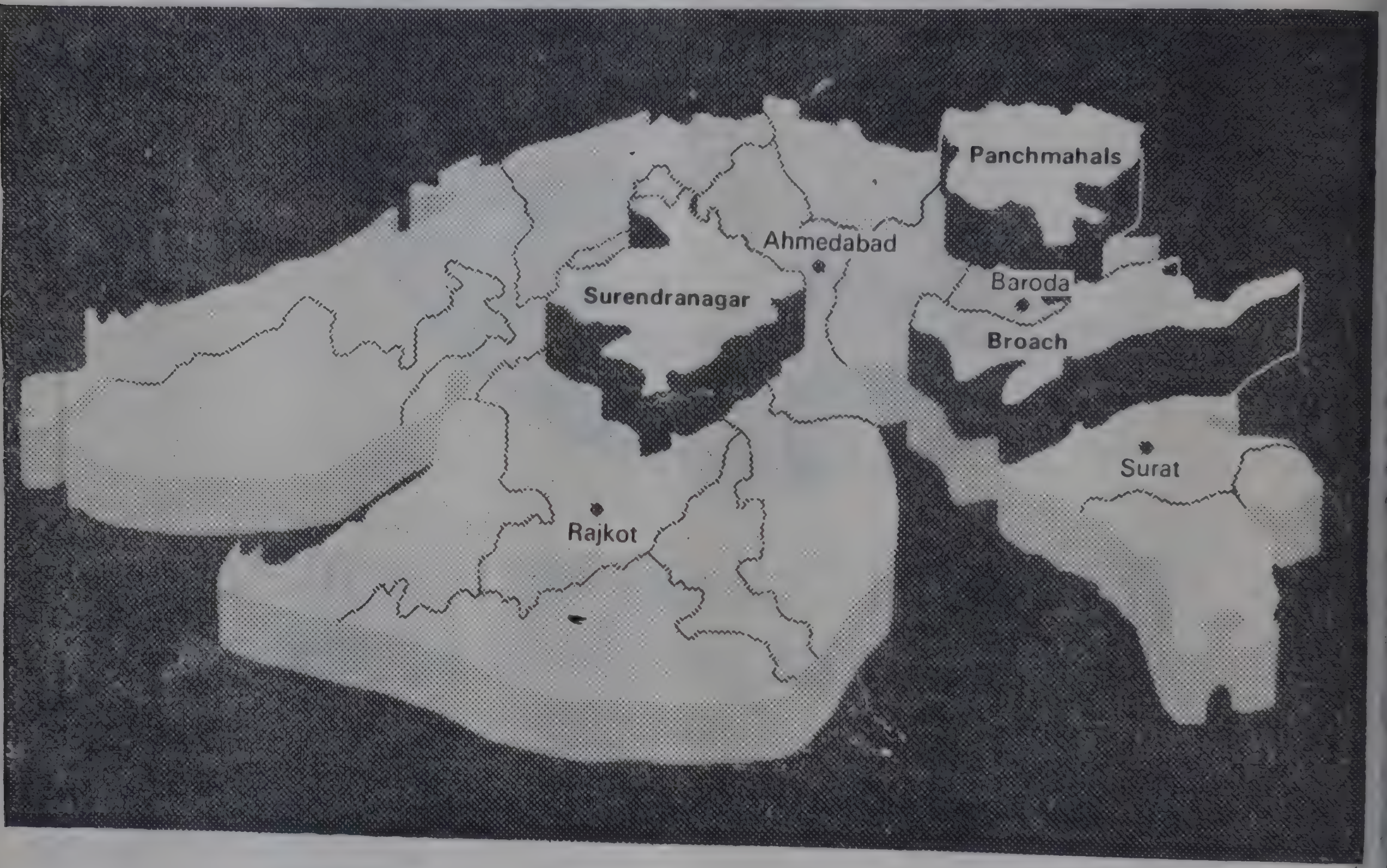

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ors of industry which set the tone
the economy, and the immediate
equence of this decline was a revision
nvestment plans. Whereas in autumn
ad been industry's intention to in-
se investment by an average 12 per
in 1975—which in any case would
e meant no increase in real terms
ause of price increases—the results of
rvey carried out in November were
ch more modest. There is no doubt
that economic trends in the United
tes are continuing to move downwards
he new year. The magazine *Business*
ek also notes an appreciable change
he attitude of American consumers,
ose proverbial tendency to use con-
ner credit has been reversed owing
growing unemployment. In November,
nsumers reduced their liabilities by
re than 400 million dollars, the shar-
st monthly drop since statistics for
nsumer credit were first kept.

The response in the United States to
esident Ford's second economic policy
ogramme recently announced has
nerally been one of rejection or scep-
ism. This shows a second parallel to
situation in West Germany, where
re is also doubt as to the lasting
ccess of the reflationary policy intro-
ced in December. On neither side of
Atlantic does such scepticism derive
imarily from ideological or party-poli-
al opposition; it is basically the ex-
ession of a deep-rooted uncertainty.
or whether we accept it or not, it is
fact that history has never before wit-
ssed so strong a combination of reces-
onary and inflationary trends. Theo-
sts have produced a dazzling display
measures to combat recession and
ese are always applied early—usually
en too early. There are also effective
struments of fiscal and monetary policy
at can be used to combat inflation;
nfortunately these are generally applied
o little and too late. Neither theorists
or practical economists have as yet
evised methods for dealing with a coin-
dence of both recession and inflation.
s long as they are strong enough and
aintained for a sufficient length of time,
Vashighton's war on three fronts and
onn's dual strategy may be seen as the
rst practical experiments. The success
—or lack of it—of the carefully calcula-
ed policy of reflation will, if nothing
lse, supply material for study by politi-
ians and economists.

II

right Future for "Third World"

Crisis literature is the fashion.
Vhether in the economic short term or
n the long term, there is widespread
ear that the godess of Fortune is about
o desert the economy. Not even the popular nostalgic look back to the "Golden Twenties" is any consolation. On the contrary, it was then that the Russian business analyst Kondratieff discovered those business cycles extending over more than fifty years which alone, according to his Austrian colleague, Joseph Schumpeter, were responsible for innovations and the resulting genuine revival of economic activity. If this were so, the industrial nations would not reach this phase of revival before the eighties and would suffer an economic crisis in the interim.

What is more, this picture of the future hardly encouraging as it is, is based on the assumption that economic structures and power relationships will remain fairly stable. Since the oil producing countries started dictating prices in October, 1973, however, the structures which were characterised by the differences in wealth between industrialised and primary producing countries also began to totter. The political power structure as between free enterprise and socialist countries has in any case suffered a shift as a result of the growing importance of China and the changes in China's foreign policy.

fate of the nations

The fate of nations depends more than ever before on economic factors, particularly at a time when changes in the pattern of individual economies are under way.

The price cartel of the oil producing countries has created new groups and power relationships. The countries of the Persian Gulf" which—if the Arabs had their way—would be called the "Arab Gulf" in future—have a common aim which overrides their old rivalries: To raise the standard of living of their peoples as long as the sources of their wealth remain productive—that is, within the next thirty years. They share this aim not only with their Latin American partners within the oil cartel, but also with the primary producing countries of the Third World, whose products have participated in the upsurge of prices during the last few years. Following the example of the oil producers, they are also trying—with varying success—to establish price cartels.

The causes and results of the shift in economic power in favour of the Third World, which is now taking place, are discussed in a book published recently by Editions Lattes, Paris, entitled *Aujourd'hui et Demain* (Today and Tomorrow). The authors are Bernard Berteloot, an economist, and Philippe Heymann, editor-in-chief of the French journal *Vision*. In the midst of the cries of woe which characterise the present time, the favourable aspects that the book outlines, at least as far as the Third World is concerned, are worth noting. They are based on the assumption that the downward movement of prices like the trend which, following the steep rises in raw material prices, made itself felt last year in important industrial raw materials, excluding oil, could be ascribed to cyclical or speculative causes and was therefore not of a permanent nature. In the long term, the trend of raw material prices is upward, a conclusion that makes sense in view of the rise in demand to be expected from a growing world population with a rising standard of living.

psychological barrier

Statements made by the Arab business leaders suggest that in the long run, the countries of West Asia will not be greatly interested in major investments is European industry. They had come up against psychological resistance in France and West Germany, which gave rise to fears of risks such as nationalisation. Moreover, the countries of West Asia face an extraordinarily high need for capital in their own part of the world, for their per capita income is in some instances far below that of the industrialised nations. Even in a country as thinly populated as Saudi Arabia, the per capita income has reached little more than 10 per cent of the comparable Swedish figure. It is not surprising, therefore, that the new oil wealth has led to a regional solidarity, which is felt not only in the Arab countries, but also in Latin America. Kuwait is already financing gigantic industrial projects on the Egyptian Nile; Iran has granted Syria a major credit for industrial investments; Saudi Arabia is investing in the Sudan, Venezuela—also a member of the oil producing countries' price cartel—has made sizeable funds available to the Inter American Development Bank and other development bodies for Latin America and has indicated its intention to finance the buffer stocks of central American coffee producers.

The two French authors regard the privileged countries of the Third World as all those who held key positions in supplies to the market. India and China for example, supplied half of the earth's rice requirements. Half of the overall coffee production came from Brazil and Colombia. Half the tea in the world came from India and Ceylon. Ghana, Nigeria and Brazil were supplying three-quarters of world cocoa production; India around a third of the groundnut crop; Jamaica a fifth of all bauxite extracted; Malaysia a third of all mined tin. China is joined by the Soviet Union as one of the countries favoured by the distribution of raw materials.

In world-wide terms the two French authors feel that the hour of the primary producing countries is coming. Their pent-up demand for capital goods and consumer products could well avert the dreaded economic depression and, in the long term, ensure a satisfactory level of utilisation of production facilities internationally, even though it will involve changes in the pattern of production, which could be painful for the old industrialised countries; the industrial triangle of the United States, Europe and Japan might break apart in the process.

In fact these countries are experiencing difficulties in coping with the deficit in the balance of trade resulting from the increase in oil prices, in spite of the recycling of petro-dollars. In relative terms Japan has done best even though this has involved putting up with a painful recession caused by severe restrictions. Since it would be no longer possible to recover fully in the world market the rise in cost of export products in these countries, the French authors feel that this would cause production facilities to be shifted more and more to the Third World, where sufficient labour is available on the spot.

A development of this kind is bound to be explosive in social and political terms. The French authors agree that Europe's future in particular looks somewhat dark within their picture of the future. The change in economic patterns now under way reduces Europe's opportunities for growth, cuts living standards increases the dissatisfaction of man with present conditions, steps up socia tensions and leads to creeping government control. The world of tomorrow may have to live under this shadow ove its economic future, unless it not onl accepts the change in existing economi patterns originating from the Thir World, but also sees in this change challenge for greater flexibility in adapting the productive resources of th market economy to new conditions.

Sources and acknowledgements: Th foregoing summarises a report in th latest issue of *The Economic Review* o the Berliner Handels-Gesellschaft Frankfurter Bank (10 Bockenheimer Landstr D 6 Frankfurt I, West Germany) but th bank is responsible neither for the emphasis of my summary nor for my intersperse comments.

Inflation travels east

E. B. Brook
London

WITH RATHER less than four months to go before the British referendum on Common Market membership, a series of elections in West Germany threatening its Socialist-Liberal coalition and increasing weakness in the USA's economy, there is inevitably a lull of uncertainty in European affairs. The lull and the uncertainty extend beyond west Europe; the east is also almost equally perplexed. In West Germany economic and social nervousness increases—and when West Germany is nervous the rest of Europe grows nervous as well.

A few weeks ago the Common Market and east Europe's Comecon—the organisation for economic mutual assistance—took an official look at one another in Moscow and neither host nor guest was markedly impressed. The director-general of the Market's external affairs division thought the Russians were more concerned to be forthcoming hosts than forthcoming trade partners and the Russians were convinced the Market was dragging its feet until the Market could show more internal solidarity than it does at present. The Russians regard the Market as a possibly disappearing entity—in detail if not in entirety. The disappearance, Moscow considers, has begun with west Europe's united agricultural market with Federal Germany no longer prepared to provide almost unlimited financing for subsidies and the French and British following differing policies. Unlike many others on the continent, Moscow also expects Britain to leave the Market, although it may be miscalculating the power of the first British referendum at the end of June. Constitutionally, even if that referendum comes out against Market membership the British parliament is not bound to follow that opinion. But the effect of Moscow's doubt about the Common Market's future is to make it more concerned about West Germany.

Contrasting perspectives

Europe, beset by weaknesses and differences, is moving back once more to its traditional positions. France is, in many ways, going ahead alone; Britain is, not for the first time, an uncertain quantity. The energy crisis may have produced the appearance of some unity, under American pressure, but it also produces renewed differences because of the Market members' varying individual relationship with the oil producers and their contrasting perspectives. Even the effort to produce a common policy among oil consumers may lead slowly to more discords. In east European eyes this may easily produce a leadership for Federal Germany within the Market and Moscow expects this as a certainty if Britain relinquishes its membership. Without Britain as a counterweight France, in Moscow's opinion, would move towards West Germany, leaving east Europe more isolated.

The uncertainty felt in east Europe about the Common Market's future is shared in part by the Market's own Economic Affairs Commissioner who told the European Parliament in Strasbourg tha the Market's era of unlimited prosperity had gone for ever. "The growth rate o private consumption," he said, "is in future bound to lag behind the nationa product as a whole" and overall unemployment would approach four pe cent. This year, total west Europear unemployment will be well over fou million and may approach five million The industrial union of the Commor Market reporting from Brussels, alsc denied the possibility of further economi development in the Market area.

It is by no means the best time, fron its viewpoint, for the Market to begin talking with Comecon and overall weakness in the west and an approaching possible dominance by West Germany appear to have been the political reasons behind Comecon's economic decision a its executive committee's meeting ir Budapest in January to abandon its long-term practice of five-year price-fixing i favour of annual price reviews. Eas Europe realizes it must be both politically and economically more flexible anc ready to move in face of west Europea and American weakness. It will not be easy for the other east European state to pay Moscow at least twice as much for Russian oil but they consider themselves lucky not to be obliged to bu overmuch oil from west Asia. Wha worries them, as they prepare pipelines in Yugoslavia, Hungary and into southern Czechoslovakia, is that more anc more Arab oil will have to be imported through Riyeka as Russia uses ever more its own product and supports its reign exchange position by selling vice as profitably to west Europe.

The west European inflation is entering east Europe both through normal ade exchanges—forcing Hungary frequently to revalue its forint protectively nd increase price levels at home—and rough the new Comecon practice of nnual price reviews and, from this year, asing charges on a rolling average over ve years. In this way, this year's prices re being based on the average of 1971-75 hich is a direct introduction of the est's inflation.

There is some amusement in reading ress comments on federal Germany's conomy. While the Russians are chary nd suspicious, the Americans and others re a trifle jealous of West Germany's ccess in having again pulled ahead of e USA. In the 1960s the international stem of fixed exchange rates concealed e rising economic power of west urope and Japan as the overvalued ollar increasingly concealed the fact of thers' wealth. Two devaluations of the ollar, its long slide in the currency arkets in 1973 and its current further ecline have helped raise the West German GNP per capita above the American vel. The Americans regard this, as epression and unemployment grow orse, with some jealous envy: the British, harried by anxiety over union demands, express admiration of the willingness of West German industry to invest heavily, the ability to raise the exchange value of the mark and thus cheapen imports and, above all, of the willingness of the West German trades unions to accept the fact they should forgo sizeable increases in wages in order to achieve price stability at home and ensure their own job security.

The German sees it very differently. Typical is the headline on the commercial page of the *Munchner Merkur* "Finance deficit grows and grows—Figure will reach this year the highest minus since the beginning of the Federal Republic." The German is acutely aware that his record gross national product figure has been artificially pushed up by inflation rather than by any degree of real growth and that his whole economy is based to a dangerous degree on export sales which, with recession in its primary market, the USA, are seriously threatened. Despite Russian suspicions, what is actually happening is that the two strongest economies in the western world—the American and the West German—are simultaneously losing momentum. The move towards protectionism in the USA is a major anxiety for the Germans.

While these stronger western economies are striving to avoid recession two active but weaker Market economies, France and Italy, have moved to measures to improve their positions. The French have been very active in west Asia, particularly with Iran and the minister for Foreign Trade, M. Segard, is insisting on improved representation of French trade abroad. The French commercial network is inferior to French production capacity and French investments abroad are insufficient. Only 30 per cent of French exports are carried in French ships and France lags in commercial insurance. The Frenchman is far too much a stay-at-home to be commercially a leader or even challenger and this aspect of French life appears to be in for a shake-up. The Italians, slowly turning the cornor from a near-collapse of the economy, have improved their balance of payments situation by higher taxes, better tax collection and other measures to set their house in order. This has enabled them to loosen the credit squeeze and put about 1½ billion dollars into their economy, improving credit facilities for investment in export-oriented industries, agriculture and scientific research. The two states may be expected to cooperate commercially soon in such near market areas as north Africa and western Asia, particularly in light industries and communications.

EASTERN ECONOMIST

Budget Number

EASTERN ECONOMIST dated March 7 is a special number devoted to a discussion of the central budget. As in the previous years, this Budget Number presents an analysis of the budget proposals and a study of the budget documents in the larger economic context as well as in specific details. This issue includes relevant budget literature and statistics. Priced at Rs 10 per copy (postage extra) this special number is on sale with leading booksellers and news agents. Copies can also be had from the office of the *Eastern Economist Limited, Uco Bank Building, Parliament Street, New Delhi-110001*. New subscribers, who remit the annual subscription of Rs 100 before April 30, 1975 will also be entitled to receive a copy of this Budget Number free of charge.

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AIR-INDIA

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MOVING FINGER

T.S. Krishna, the indus-ialist who died in Madras on March 8, as of a rare breed — a truly self-made an despite his family wealth or busiess. Every dynamic institution has its ower-house of ideas and energy and T.S. rishna was the core and centre of the reat TVS complex in the south. He was oyal to many things most of which were orthy, including the interests of those ho were his friends, but his greatest oyalty was to perfection in labour; hence he spectacular standards of quality of ll the enterprises that bore his stamp of eadership. Daring in ideas, positive in ction, clear-headed and firm of mind, e would not suffer fools gladly, but was evertheless amazingly tolerant of the aults and foibles which, he knew, so ften went with human nature. The world n which he moved is the poorer for the assing away of a forceful personality, with many likable attributes, who found race in his works.

I am reproducing below xtracts from a cautionary tale of our imes which appeared in the issue of *Newsweek* dated March 3 and, while making it clear that no allusions are intended, would inform my readers that they are ree to draw for their own amusement any nalogy they like:

> "Even at rest, the sleek, three-wheeled Dale, looking very much like an Italian Ferrari, seemed too good to be true. Claims that it could go 70 miles on a gallon of gas, make 90-degree turns safely at high speeds and cost less than $2,000 made it seem all the more unbelievable. On top of that, the supercar was going to be produced by the untested Twentieth Century Motor Car Corp....Last week, as police and courts probed the strange dealings of Twentieth Century, it was clear that the Dale and the company were indeed too good to be true.
>
> "Before the law finally moved in, countless people had shelled out thousands of dollars for Twentieth Century shares and the right either to buy Dales or dealerships. It was unlikely any would ever see his money again or, for that matter, see a Dale...
>
> "The Twentieth Century Motor Car Corp. had been a newcomer to the automotive scene... One model was to be the two-passenger, 1,000-pound Dale, named after the car's original designer, and set to cost less than $2,000...
>
> "The company used a simple tactic to attract investors. It ran a series of newspaper ads offering jobs. When people showed up in response they were talked into buying company stock for $1 a share but according to authorities, only a few got jobs. Later, the company began selling distributorships for $35,000 and option to buy the cars for amounts ranging up to $1,969.
>
> "The operation didn't last. On Feb. 5, Twentieth Century's top officers were charged with conspiring to commit theft by selling dealerships and options on the basis of false claims. Shortly afterward, a judge ordered the company placed in receivership after hearing testimony casting doubt on the Dale's ability to live up to its billing...
>
> "... authorities don't know how much money was taken in by Twentieth Century, where it went, and just who lost out in the deal. There is no list of stockholders and no stock book;...
>
> "But right now, Twentieth Century doesn't have a car that works. Its one prototype has been impounded in Dallas and one company official admitted it didn't run well enough in tests to be put into production".

This story, let me once again make it clear, is about what happened in the United States repeat the United States to a small car project that was that was.

In this column, on February 28, I was rather harsh on the vice-president for confusing 'consumerism' — which is a consumer movement against unfair trade practices and for safeguarding consumer interests — with excessive indulgence by people in consumption goods or material possessions. I am surprised to note that the deputy chairman of the Planning Commission, is also labouring under the same misapprehension as Mr Jatti. As reported in *The Times of India*, Mr Haksar, delivering the Bhabha Memorial Lecture, said that it would be a great mistake to 'infest' India with the consumerism of the western society. Have we reached a stage where semi-literate speech-writers in government offices have taken over the job of drafting even scholarly discourses to be delivered by busy men in big positions who have so much to do that they can do very little of it themselves? Or, which could be worse, are we now in some Alice-in-Wonderland where words have whatever meaning that persons in authority feel disposed to feed into them at any given moment?

In the course of the lecture to which I just referred, Mr Haksar delivered himself of the thought that no planning process could be grafted on a society tortured by divisions or accustomed to theological modes of thought. Since I do not have the full text of his speech as I write, I do not want to comment on his reference to 'divisions' since the press report — this time I am referring to the one in *The Hindustan Times* — does not say enough to enable me to divine what precisely Mr Haksar is driving at when he speaks of 'divisions' in the context of planning. I would however like to react off the cuff to his assertion that planning cannot go along with theological modes of thought. Seeing that so much of what goes by the name of planning is taking place in communist countries, I should have thought that theological modes of thought should be the last thing to come in the way of planning or planners.

Mr Haksar has only been a short time in the Planning Commission, but I have already heard people suggesting that he is perhaps a misfit. Could it be that he is already out for excuses and that he is making ready to blame it all on the theological attitudes to which Indian—or, could it be, Hindu? —society is alleged to be a slave? In any case, what does Mr Haksar plan to do about it? Maharishi Mahesh Yogi at least seems to offer a solution of sorts. Which, incidentally, reminds me that I should refer to the two-page feature in *The Times of India* of March 10 of the Maharishi's "science of creative intelligence" — which could perhaps be the antidote to the theological modes of thought for which Mr Haksar at the Yojana Bhavan is groping — and the "Inauguration of the dawn of the age of enlightenment." Having thoughtfully put a note that this is "a sponsored feature", the publishers and editor of this national newspaper which, as we all know, is so totally devoted to rationality in human affairs, evidently believe that they have done their duty by such scruples as they may have. There is a worldly wise folk saying that the money you make by running a kennel does not bark.

VB

TRADE WINDS

US-Iran Cooperation

THE US-IRAN joint commission completed its second sesstion in Washington recently. The Iranian delegation was headed by Mr Hushang Ansary minister of Economic Affairs and Finance, and the U S delegation by the Secretary of State, Dr Henry A. Kissinger, who are the co-chairman of the commission. The joint commission was established in November 1974 in order to broaden and intensify economic cooperation and consultation on policy matters.

The commission reviewed the work done by its five joint committees, which had met during January and February, and approved a large number of technical cooperation projects and development programmes which had been recommended by the committees. The commission concluded that the scope for cooperation between the two countries for their mutual benefit was almost unlimited. In the light of the strong desire on the part of the two sides to extend areas of mutual cooperation, the commission set a target of dollars 15 billion in total non-oil trade between the two countries during the next five years.

Major Iranian development projects selected for cooperation between the two countries include a series of large nuclear power plants, totalling 8,000 electrical megawatts, with associated water desalination plants; 20 prefabricated housing factories; 100,000 apartments and other housing units; five hospitals with a total of 3000 beds: establishment of an integrated electronics industry; a major port for handling agricultural commodities and other port facilities; joint ventures to produce fertilizers, pesficides, farm machinery, and processed foods; super highways; and vocational training centres. The total cost of these projects is estimated to reach 12 billion dollars. The commission also recognized the special importance of cooperation between the two countries in the field of petrochemicals, and took note of major projects under study for joint ventures between Iran and major companies in the United States to produce petrochemical intermediates and finished products for general use in Iran and for export.

The commission agreed that a Joint Business Council could play a very useful role in broadening contacts between the business sectors in both countries. The two sides agreed to cooperate actively in the development of the Iranian capital market and in the establishment of Iran as a financial centre for the region. It was agreed that a financial conference should be held in Tehran before the end of the current year, to which would be invited high officials of the two governments as well as leaders of banking, insurance and other financial institutions. Substantial progress was made towards conclusion of an agreement on cooperation in the civil uses of atomic energy. This agreement will provide for a broad exchange of information on the application of atomic energy for peaceful purpose, and for related transfer of equipment and materials, including enriched uranium fuel for Iran's power reactors.

In order to facilitate exchange of technical specialists, the two co-chairmen signed a reciprocal agreement for technical cooperation. Technical cooperation projects were agreed upon in agriculture, manpower, science and higher education and health services. The commission agreed to emphasize scientific programmes in the fields of oceanography, seismic studies, geological and mineral surveys, remote sensing applications, and radio astronomy.

Agreement in principle was also reached between Iranian and US private interests on projects for production of graphite electrodes, sanitary wares and trailers and for establishment of a hotel chain in Iran.

Grindlays Bank in Philippines

Grindlays Bank Limited has bought 33.5 per cent of the equity of General Bank and Trust Company of the Philippines (Genbank). The Central Bank of the Philippines approved this investment in January and an agreement was signed by Grindlays and Genbank in Manila recenty. Genbank with its head office in Manila has 22 branches and provides a full range of banking services. Grindlays already hold 20 per cent of the equity of Genbancor Development Corporation, an investment banking company operating through 20 branches in the Philippines.

Development Corporation for Goa

The Economic Development Corporation of Goa, Daman & Diu Ltd has been established recently to stimulate industrial growth in the region. The territory has a few favourable factors such as a good port, a high degree of urbanisation, communication and infrastructural facilities, an educated and skilled labour, existence of capital and entrepreneurship, and resources such as minerals, fisheries and agricultural residues.

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mulations project which
l be non-polluting. It will
set up at Tivim and will
ploy about 150 educated
sons. The project will be
the joint sector and is
pected to be completed
thin a year.

ssistance from UK

Two agreements with Bri-
n—one for Rs 38 crores
intenance loan and another
d grant of 30,000 tonnes
rth four crores of rupees were
ned here recently. The
intenance loan will provide
import from Britain of
n-project goods. These will
lude raw materials, spare
rts and components required
service India's industrial and
ricultural production. This
an represents additional
sistance over and above the
142 crores (or £ 75 million)
edged to India by Britain at
e meeting of the Aid India
nsortium during 1974. The
w loan brings the total fresh
l pledged to India for this
ancial year to Rs 180 crores
or £90 million. The loan will be free of all interest and service charges and repayable over 25 years including a seven-year grace period.

The second agreement signed is for the grant of 30,000 tonnes of foodgrains. The foodgrains aid will consist largely of wheat, will be available for sale through the fair price shops. This is part of Britain's contribution to the EEC Cereals Food Aid programme for the harvest year, 1973-74. It will be delivered as soon as arrangements can be made for shipment, according to a press note. The agreements were signed by British High Commissioner Sir Michael Walker and Economic Affairs Department secretary, Mr M.G. Kaul.

New Taxes in Maharashtra

The Maharashtra budget for 1975-76 presented to the assembly recently by the state Finance minister, Mr M. D. Chaudhari, shows an overall deficit of Rs 37.32 crores on revenue and capital accounts. However, with the new taxation proposals and the additional share of income-tax and central excise duties of the order of Rs 20.60 crores, there will be a surplus of Rs 44 lakhs. The budget estimates show revenue receipts of Rs 890.48 crores and expenditure of Rs 885.21 crores. Thus there is a surplus of Rs 5.27 crores. On capital account, receipts are Rs 564.65 crores and expenditure Rs 607.24 crores—deficit of Rs 42.59 crores. The overall deficit will be of the order of Rs 37.32 crores. The revised estimates for 1974-75 will end with a surplus of Rs 4.21 crores, as against the anticipated deficit of Rs 21.78 crores.

The budget has provided Rs 15 crores for enhancing dearness allowance of the state government employees. Mr Chaudhari estimated that the various employment guarantee cesses will yield a net revenue of Rs 10.92 crores, after allowing for the expenditure on collection. Since compensation of Rs 50 lakhs will have to be paid to loal bodies that were levying this tax hitherto the net yield to the state exchequer is placed at Rs 10.42 crores. The Finance minister proposed additional taxation on the agricultural sector to yield Rs 2.34 crores for the employment guarantee scheme. The minister has also provided Rs 90 lakhs to give a relief to the pensioners. All government pensioners, who retired before January 1, 1975, but after April 1, 1966, would be given a temporary increase of Rs 14 a month in pension. Those who retired before April 1, 1966, would get a temporary raise of Rs 21 a month. Simultaneously, the minimum pension has been increased from Rs 40 to Rs 50 a month. The state government has also decided to extend the social security benefits to the families of its employees following the centre's policy.

Oxfam Aid

Oxfam, an international funding organisation based in England, will give about Rs 2 crores for various projects in India during the next financial year. One-third of this amount will be spent in drought and flood hit areas, specially on various emergency food programmes. This was stated recently by Mr Michael Harris, Overseas Director, Oxfam. It has been decided that various Oxfam-financed projects in India should tackle the problem of poverty at village level with the involvement of local people.

Assistance to ICICI from World Bank

The Industrial Credit and Investment Corporation of India is currently negotiating a loan of $100 million from the World Bank for financing industries in the country, the Chairman Mr H. T. Parekh, stated recently. Mr Parekh added that the negotiations in this connection were proceeding satisfactorily in New York. The Corporation was also exploring the possibility of securing petrodollar loans from West Asian countries, Eurodollar loans from European countries and loans from United Kingdom and West Germany.

Cardamom Nations

The Cardamom Board has decided to approach the govern ment for permission to convene a meeting of a cardamom producing countries—India, Guatemala, Tanzania and Sri Lanka—to explore areas of common action for the promotion of cardamom consumption, marketing, sharing of experience in production and research. At a recent meeting of the board it was resolved that a study team should visit Guatemala and Tanzania to obtain first hand information on cultivation techniques of cardamom in those countries. Another important decision taken by the board was to recommend to the government an increase in the rate of replanting loan assistance from Rs 1,600 per acre to Rs 2,400 from the next financial year. The board fixed the target of production of cardamom during the current year at 2,700 tonnes, export at 1,750 tonnes valued at Rs 11.5 crores. It further decided to recommend simplification of Cardamom (Licensing and Registration) Rules, 1962. Addressing the board meeting Prof K. M. Chandy, Chairman, stated that the board would be undertaking and assisting research on problems of production and processing of cardamom.

Drilling Rigs for Iraq

Voltas has received a major contract from Iraq for the supply of waterwell drilling rigs. The order is for 10 drilling rigs valued at approximately Rs 80 lakhs, including accessories. The shipment of the first consignment of four rigs would be made immediately, while the last lot would be shipped by the end of May. The contract was awarded to India on a global tender and against intense competition from the US, Europe and the USSR.

Tyre Prices

Rationalised prices of tyres will go a long way to bring relief to consumers who had for long been harassed in finding the tyre that they wanted and at fixed rates. Since the prices got rationalised, a quick survey shows that the tyre market has picked up reasonably. Relief is now given for white walled tyres of cars to the extent of two to four per cent and for black two per cent in prices. This relief is made up by marking up price of tyres for trucks and other heavy duty vehicles. Scooter users will also benefit by a two per cent relief. A look back in the market shows soaring prices of tyres although the manufacturers had not cut their production, but, some had given emphasis on the brand of tyre which would have brought more profit. As a result less production in another brand did cause hardship to the consumer. Under rationalised pricing now introduced all tyre makers will give equal emphasis to produce the different brands. However there will be slight increase in prices to absorb the effect of two per cent hike in excise.

Exports of Engineering Goods

The Enginneering Export Promotion Council expects that engineering exports would touch the Rs 500-crore mark by the end of 1978-79. A spokesman of the council said, the value of exports of engineering goods touched nearly Rs 200 crores in 1973-74. The estimated performance during 1974-75 was Rs 260 crores against a target of Rs 250 crores. Ten top exporters of engineering goods are to be presented rotating shields by the council for their performance in exports by Prof. D. P. Chattopadhyaya, union Commerce minister, at its 19th annual general meeting at New Delhi. Certificates of merit would also be presented to selected exporters at this meetting, the spokesman said.

Rubber Goods Exports

India exported rubber goods worth Rs 2.6 crores during the first eight months of the current financial year compared to about Rs 1.4 crores during the corresponding period of the preceding year. In 1973-74, Indian rubber manufactured goods secured foreign exchange worth 3.16 crores compared to Rs 1.43 crores in 1972-73. The target for the full year of 1974-75 stands at Rs 4 crores. Cycle tyres and tubes were the largest export earners during April-November 1974. Their exports registered a sharp increase at Rs 95 lakhs against only Rs 40 lakhs during the corresponding period of 1973. Afghanistan, Australia, Bangladesh, Belgium, Dubai, Ghana, Fiji, Iran, Iraq, Kenya, Malaysia, Saudi Arabia, the UK and Zambia are the prominent importing countries of Indian rubber-products.

Cashew Exports

Indian cashew exports during the first 11 months of last year registered a decline of about 12 per cent in terms of quantity. But the higher unit value realisation, as in the case of textile exports, has come to the rescue by earning nearly Rs 19 crores more in foreign exchange. Several leading importers of Indian cashew reduced their purchases. The USA, Canada, Japan, Britain, West Germany, East Germany and Czechoslovakia slashed their purchases during January-November 1974, compared to the same period in the previous year. The Soviet Union topped the list of importers with an offtake of 23,690 tonnes. Australia and Hong Kong improved their offtake marginally. During January-November last year, India exported 48,133 tonnes netting Rs 90.1 crores, against 54,344 tonnes in the same period in 1973 earning Rs 70.66 crores.

Cashewnut shell liquid export registered an increase both in terms of value and quantity during the period under review. Japan and the USA were the significant buyers which improved their imports to 1,627 tonnes and 1,166 tonnes respectively from their earlier level of 1,230 tonnes and 406 tonnes.

Tankers for Crude

The union government has decided to provide its own tankers for import of crude for the Hindustan Petroleum Corporation's refinery, at Bombay from March 15. Under an agreement signed at the time of the take-over of Esso, the American oil company had agreed to transport crude from Rastnura in Saudi Arabia in its own tankers at AFRA rates for one year. Although during the past few weeks there have been moves from the government side to persuade Exxon to continue to bring crude in its own tankers, but the management of Exxon is believed to have expressed its inability in extending the contract any further.

The Union government evidently did not press for extension of the contract owing to a sharp fall in shipping freight in recent months. While large tanker charter rates in the international market have fallen by about 35 per cent, medium sized tankers rates have not shown any steep fall. But the spot quotations for medium sized tankers currently are lower than the AFRA rates that were being charged by Exxon and to that extent the country would save on foreign exchange.

Essay Competition Award

Miss Parveen Arjan Singh, III Yr. B. A. student of Lady Shri Ram College for Women, New Delhi, has been awarded the first prize of Rs 250 in the 18th All-India Essay Competition for college students arranged by the Forum of Free Enterprise for the academic year 1974-75. The other prize winners are; Miss N. Uma of Stella Maris College, Madras—second prize of Rs 150; Mr Parikshit Basu of Narendrapur Ramkrishna Mission Residential College, Jalpaiguri—third prize of Rs 100; Miss Vijaya Shastri of Nagpur Mahavidyalaya, Nagpur—fourth prize of Rs 75; Miss Achala Arya of Lady Shri Ram College, New Delhi—fifth prize of Rs 50 and, Mr S. V. Kogekar of BYK College of Commerce, Nasik,—sixth prize of Rs 25.

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COMPANY AFFAIRS

larkets Indecisive

IARE MARKETS seem to be an indecisive mood about e impact the budget will ave on equity prices. Reecting this mood share prices oved in an irregular manner uring the post-budget week. fter early feeble attempts at rally, equities lost ground nder persistent selling pressure. Hopes of operators have aturally been belied because e Finance minister did not nnounce either a revocation substantial modification of e Dividend Act. The marketmen also noted with concern that what little concesion that the Finannce minisr had announced namely hat a dividend higher than 12 er cent can be declared by ompanies does not mean any nmediate benefit or advantage o the equity investor as the hanges announced do not old prospects of obtaining igher rewards at a time when ther forms of comparable investments are yielding a much igher return than those on he risk capital on equity. As result selling pressure continued unabated, though the nnouncement of 33 per cent ividend by Century somewhat elped to arrest the trend.

Investors now hope that rogresssive managements will dopt a pragmatic approach n respect of declaration of dividends as has been done by Century mills. On the whole, he recent two-way movement f equities suggests that opinion in the market is sharply ivided about the future course f prices. It seems irregular novements will continue for ome time more before the narket shows a decisive trend. Meanwhile major tock exchanges are expected o submit shortly proposals to the government for drawing up a scheme under which a uniform formula can be devised for the payment of deferred dividends after the expiry of the Act.

Century

The directors of Century Spg. & Mfg. Co. Ltd have recommended an equity dividend of Rs 33 per share for 1974, the same as in the previous year. Incidentally Century will have the credit of being the first company to declare a dividend higher than 12 per cent following the proposed relaxation of dividend curbs announced in the budget. The company will pay now a dividend of only 12 per cent. The balance amount of 21 per cent will be deferred and it will be made in two instalments after the expiry of the Act in July 1976. The directors have however clarified that if the proposed amendment does not fructify or is implemented in some other form, the quantum of dividend will be restricted to the maximum amount permissible by law (which at present works out at 12 per cent) but not exceeding Rs 2.34 crores calculated on the basis of 33 per cent. Meanwhile the company has reported spectacular improvements in sales, profits and profitability during 1974.

Sales during the year spurted by about 34 per cent to Rs 91.71 crores from Rs 68.39 crores while gross profit jumped by about 68 per cent to Rs 26.78 crores from Rs 15.95 crores, in 1973. Out of the gross profit, the directors have appropriated a sum of Rs 260.55 lakhs to depreciation reserve as against Rs 186.33 lakhs in the preceding year while development rebate reserve was allotted Rs 121.00 lakhs as compared to Rs 18.68 lakhs in the earlier year. Taxation absorbed Rs 15.80 crores as against Rs 8.50 crores in 1973. No provision has been made for gratuity which claimed Rs 82.80 lakhs in the earlier year. This leaves a substantially higher net profit of Rs 7.17 crores as compared to Rs 4.58 crores in 1973.

Ashok Leyland

Ashok Leyland has the proud distinction being the first manufacturer to have passed on the benefits of its higher productivity and efficiency in the most tangible manner possible by twice reducing its prices in November 1974 and January 1975. A maiden attempt has been made to quantify the impact of inflation on various facets of the company's activities. Towards this purpose the normal profit and loss account has been compared with a profit and loss account duly adjusted for the erosion of purchasing power of money, calculated according to certain accepted norms.

The importance of this "inflation accounting" is being realised to a marked extent throughout the world and it seems that Ashok Leyland is one of the first companies in the country to provide its shareholders with such a valuable comparison. It will be seen that "inflation-adjusted profits" are considerably lower than the historical profits. The current method of computation for corporate taxation does not permit enough funds being available for replacement of assets vitally required. Hence it is earnestly hoped that the government will give due consideration to this aspect and devise suitable taxation policies which will leave some liquidity in the hands of companies. This was stressed by the Chairman, Mr S. Ranganathan while addressing the annual general meeting of the company.

Despite economic problems in general and critical power position in particular, Ashok Leyland had a record year in 1973-74 in respect of production, sales and profits. During the year 7295 vehicles were sold, an increase of about 40 per cent over the previous year's performance. No less than 62 per cent of the vehicles were sold to Defence forces, various branches of the government and state transport undertakings. Determined efforts are being made by the company to increase the level of exports. The company is already having orders on hand from Afghanistan, Jamaica, Nigeria, Oman, the Philippines, Sri Lanka and Trinidad. What is more the company is having the proud privilege and unique distinction of having bagged the biggest order ever for the Indian automobile industry — 500 complete buses for Zaire. A target to export 20 per cent of its output has been fixed by the company for 1975-76.

Nuchem Plastics

Nuchem Plastics Ltd has reported impressive working results during the year ended September 30, 1974. Sales, including other income, during the year climbed to a new peak of Rs 5.79 crores from Rs 3.22 crores while gross profit nearly doubled to Rs 50.40 lakhs from Rs 27.92 lakhs in 1972-73. Out of the gross profit, the directors have appropriated a sum of Rs 24.27 lakhs to depreciation reserve as against Rs 14.75 lakhs while an amount of Rs 4.80 lakhs was marked for gratuity as against no provision in the earlier year. Development rebate reserve was allotted with Rs 12.30 lakhs as compared to Rs 2.08 lakhs in the preceding year. After adjustments there is a disposable surplus of Rs 9.70 lakhs out of which a sum of Rs 2.12 lakhs was transferred to general reserve and Re 1 lakh to preference share reserve. The directors have recommended a dividend of 12 per cent on equity and 9.5 per cent on preference shares. The balance of Rs 24,908 has been carried forward to next year's accounts. No provision for income-tax has been made in view of deductions and allowances permissible under the Income-tax Act 1961. The reserve now stands at Rs 47.69 lakhs after issue of bonus shares which absorbed Rs 14,99,500.

The year ended was a mixed one for the company. Though the demand for the company's products was substantial still it was not possible to meet the same due to various difficulties in production on account of shortage of raw materials such as methanol, melamine and persistent electricity cuts. The company exported nearly 12 per cent of its product of moulding powders. Research and development centre had been working creditably. Hexamine add hydraulic press projects were completed during the year. The company has received letters of intent for manufacture of glass filament-yarn and methanol. The feasibility reports and economics of these projects are being studied.

Moline of India

The directors of Moline of India have maintained the equity dividend at 10 per cent for 1974. Although sales have been maintained around Rs 2.23 crores, gross profit after providing for depreciation moved up to Rs 68.27 lakhs from Rs 58.77 lakhs in 1973, the provision for depreciation being Rs 14.78 lakhs as compared to Rs 17.20 lakhs in 1973. Out of the gross profit, the directors have appropriated Rs 0.30 lakh to development rebate reserve as against Rs 1.73 lakhs in the earlier year while an amount of Rs 46.00 lakhs was earmarked for taxation as against Rs 40.00 lakhs in the preceding year. After adjustments a sum of Rs 28.31 lakhs has been transferred to general reserve as compared

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CALENDAR OF PROGRAMMES
1975 (March-December)

PROGRAMMES	DATES	VENUE
1. Workshop on Rehabilitation of Sick Projects	10-14 March	Calcutta
2. Fundamentals of Managerial Finance: Essentials of Financial Management for Non-Financial Executives	7-12 April	New Delhi
3. Workshop on Key-Areas in Materials Management	14-19 April	New Delhi
4. Systems Approach to Management	21-26 April	Mussoorie
5. Management of Working Capital in Cooperative Spinning Mills	27-30 April	Poona
6. Strategic Aspects of Corporate Tax Planning	12-17 May	Mussoorie
7. Advanced Management Programme: Effective Management of the Total Enterprise	9-21 June	Ootacamund
8. Management Planning and Control Systems	8-12 July	Agra
9. Workshop on Discounted Cash Flow Techniques and Cost-Benefit Analysis	11-16 July	Poona
10. Finance & Accounting for the Sugar Industry	21-26 July	Lucknow
11. Seminar on Management of the Hotel Industry	30 July-4 August	Bangalore
12. Management of Sugar Industry	4-9 August	Hyderabad
13. Seminar on Management of Managers: Management of Supervisory and Managerial Personnel	25-30 August	Calcutta
14. Management of Sugar-cane Development	8-13 September	Bangalore
15. Identification, Promotion and Implementation of Industrial Projects (IPIIP)	21-27 September	Shillong
16. General Course on Development Banking	29 September—25 October	New Delhi
17. Seminar on Strategies for International Marketing	20-25 October	New Delhi
18. Key-Areas in Financial Management	10-15 November	Poona
19. Manpower Productivity and Incentives	17-21 November	New Delhi
20. Legal Aspects of Development Banking	1-10 December	Calcutta
21. Management of Joint Industrial Ventures—A Symposium	2-5 December	Bombay
22. Management of Current Assets	17-24 December	Goa

For details please contact:
The Secretary,
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Rs 6.85 lakhs in 1973. The ommended dividend will paid out of the general erve on or after June 4, to ose whose names appear on e company's register of ember as on May 14, 1975.

ribeni Tissues

Tribeni Tissues has secured e approval of the government r effecting substantial ex- nsion of 10.000 tonnes r the manufacture of spe- ality papers such as insula- ng paper, plastic base paper d industrial filter base paper, sides cigarette and carboni- ng tissues. This expansion proposed to be carried out two phases, and the first ase of 5,000 tonnes will be plemented in the existing ill at Tribeni. Necessary rangements have been prac- cally completed.

A new wide modern paper achine will be built by a nsortium consisting of Indo- rolina Industries Private imited, Bombay and Bertrams imited, Sciennes, Edinburgh, e of the best known interna- onal paper machinery manu- cturers. These two companies ave entered into a technical llaboration agreement with e approval of the govern- ent of India. While the ulk of the equipment will e manufactured by the Indian mpany, Bertrams will be pplying certain critical com- nents. To supplement the chnical know-how for the anufacture of a more diver- fied range of products, the mpany will have the benefit the services of its parent mpany Wiggins Teape Limi- d, UK, the leading inter- tional paper manufacturers erating a large number of per mills around the world.

The cost of this project, cluding a margin for work- g capital, is estimated at 1050 lakhs. Of this Rs 81 khs will be needed in foreign change for the direct import plant and machinery. While substantial part of this tlay will come from internal sources, it will be necessary supplement it to the ex- nt required by the issue of ditional equity capital and fresh borrowing. The company proposes to take this opportunity to reduce the foreign equity holding from 74 per cent to 51 per cent. For this purpose, the company proposes to issue new shares to the Indian shareholders, to the public, to financial institutions and to employees.

The rights issue to existing shareholders will be of 7,59,097 shares, two new shares being allotted for every three shares held. The fresh public issue will be of 6,92,767 shares. To financial institutions, 4,93,981 shares will be issued and to employees 30.000 shares. The consent of the Controller of Capital Issues has been obtained for this scheme. The shares will be issued at a premium of Rs 2.50 per share. The company hopes to complete the project and begin production by October 1976. With these new productive facilities, the company will be able to meet increasing domestic demand, to take full advantage of export possibilities, and to earn satisfactory profits.

Bayer India

The year 1974 was yet another successful one for Bayer (India) Limited. Sales increased to Rs 21.30 crores recording a rise of 35 per cent over the previous year. All the divisions — Pesticides, Rubber Chemicals and Pharmaceuticals—have contributed their share to the substantial improvement in sales.

The company has earned during the year a pre-tax profit of Rs 4.66 crores after providing for depreciation of Rs 59.34 lakhs and development rebate reserve of Rs 5.00 lakhs. Income-tax provision for the year is Rs 3.12 crores. The directors have recommended dividend at the rate of 12 per cent for 1974. This dividend will be payable on a total equity capital of Rs 3.60 crores. The company expects 6.5 per cent of the dividend amount to be free of tax in the hands of the shareholders.

The company received an industrial licence for substantial expansion of its manufacturing plant at Thana by increasing the production of Parathion Technical from 1200 to 1700 tonnes per annum and of Fonitrothion Technical from 100 to 500 tonnes per annum. The company has already taken in hand the expansion of its plants and the company expects to complete the expansion by the end of this year. The expansion is estimated to cost obout Rs 2.58 crores and it is proposed to raise a part of the finance required for this purpose by issuing 32,250 equity shares of Rs 100 each at a premium of Rs 100 per share.

The Controller of Capital Issues, has granted consent to the issue of the said 32,250 equity shares of Rs 100 each for cash at a premium of Rs 100 per share to be issued to the Indian shareholders in the proportion of one new epuity share for six existing equity shares held by the shareholders and the balance to the employees of the company in the manner that no single employee shall be allotted more than twenty equity shares. The company has also received an industrial licence for substantial expansion for the manufacture of rubber chemicals. In accordance with this licence, the company has been permitted to expand the annual capacity of rubber chemicals from 2003 to 6665 tonnes and has also been permitted to manufacture 2460 tonnes per annum of intermediates required for the manufacture of rubber chemicals.

As per the condition laid-down in the industrial licence for substantial expansion of the manufacture of Chloroquine Phosphate from four to 12 tonnes, the company has installed the equipment needed for the manufacture from a more basic stage. Trial run of the new process of production is scheduled for April-May 1975, by which time the initial shipment of one of the intermediates is expected to be received from abroad. The company has recently received from the government a letter of intent for expanding the capacity of Chloroquine Phosphate from 12 to 36 tonnes. The conditions of the letters of intent are being studied and the company's proposals will be submitted to the government in due course.

Unichem Laboratories

Unichem Laboratories has fared extremely well during the current year. Its sales in the first five months of October-February of 1974-75 have gone up by about 15 per cent over the corresponding period of last year. Exports over the same period have risen by about 50 per cent, the company having succeeded in penetrating several industrially advanced markets. The company is having under consideration several proposals for diversification into certain basic drugs. It has received an industrial licence for certain items and the management has to decide on the location of the new project.

Gammon India

Gammon India expects to maintain its profitability at the level of the last year, the performance on current contracts being generally satisfactory. The company has been invoking escalation clauses in contracts for major works and this helped it to stabilise contract prices and reduce risks. It has secured new orders worth Rs 2.93 crores for the current year at the end of February, and with the carryover of the work worth Rs 39.28 crores in progress, its order book stands at a reasonable level. The company has already made a beginning in the manufacture of large-diameter impellers for which there is a good demand. Besides, it has been carrying out feasibility studies in engineering and chemical fields with a view to diversfying its activity.

Unit Trust

The sale and repurchase prices of the units of the Unit Trust of India were raised by ten paise each to Rs 10.65 and

Rs 10.35 per unit respectively with effect from March 6.

News and Notes

Tata Chemicals have received the consent of the Controller of Capital Issues for the Issue of 31,13,014 fully paid equity shares of Rs 10 each as bonus shares in the proportion of one bonus share for every two fully paid equity shares held by capitalising a sum of Rs 51,88,355 standing to the credit of the share premium account and Rs 2,59,41,785 out of the general reserve.

The Directors of *American Express Company* have announced an increase in the regular quarterly dividend from $0.15 per common share to $0.20 per common share, payable on April 1, 1975 to holders of record as on March 7, 1975. This is the eighth dividend increase in seven years, and also marks the 108th consecutive year in which American Express Company has paid a dividend.

The board of directors also stated that with this 33-1/3 per cent increase, it would shift future dividend payment dates to the tenth business day of the second month following the close of each calendar quarter. The next payment date will be on August 11.

There was a marked step-up in the asssistance sanctioned and disbursed by the *Industrial Development Bank of India* (IDBI) during the first half (July-December 1974) of 1974-75. The total assistance sanctioned was Rs 154.67 crores as against Rs 77.31 crores in the corresponding half of 1973-74 and actual disbursements amounted to Rs 100.76 crores as against Rs 51.29 crores. The effective sanctions since the inception of IDBI up to the end of December 1974 aggregated Rs 1,127.75 crores, excluding guarantees at Rs 28.53 crores. The total assistance utilised amounted to Rs 827.15 crores, exclusive of guarantees issued at Rs 21.34 crores. The assistance outstanding as at the end of December 1974 amounted to Rs 537.40 crores as against Rs 395.00 crores a year before.

The Prime Minister of Malaysia inaugurated recently Malaysia's newest sugar factory-Syarikat Gula N.S. (SDN) BHD, a joint venture of *Phaltan Sugar* of India and the State Development Corporation of Negri Sembilan, Malaysia. The M $75 million project is among the biggest of its kind in that country. It is also one of India's largest single overseas investment in terms of scale, technology, equipment and training. The Indian technicians have designed, fabricated and installed a thoroughly up-to-date sugar refining complex having a crushing capacity of 2,500 tonnes of cane per day, with the assistance of Malaysian personnel.

The entire plant equipment worth over M $20 million as well as supplementary workshop machinery was supplied by leading manufacturers in India to designs and specifications drawn up by Phaltan technologists. Indeed Syarikat Gula is a symbol of India's growing international stature in industrial technology. And, most important of all, it brought valuable foreign exchange to India.

New Issues

Uppev India Bearings and Bushings will be approaching the capital market shortly with a public issue of Rs 24 lakhs, all in equity shares of Rs 10 each at par. At present its plant at Madras is engaged in the manufacture of 120,000 pieces of bearings and bushings per annum. It now proposes to expand its capacity to 15 lakhs pieces each of bearings and bushings per annum. The unit is being put up at Ranipet which has been declared an industrially backward area. The capital outlay on the project is estimated at Rs 91.27 lakhs. It will be financed by the share capital of Rs 35.52 lakhs, subsidy from the central government of Rs 10 lakhs, term loan from TIIC of Rs 30 lakhs, from SIPCOT of Rs 5 lakhs and deferred payment guarantee of Rs 10.75 lakhs.

Banjara Hotels will soon be offering to the public for subscription 420,000 equity shares of Rs 10 each at par. The companyis setting up a five-star luxury hotel at Hyderabad on Banjara Hills, near Hyderabad airport, in collaboration with Holiday Inn Inc. of the USA. Construction work is proceeding apace and it is expected to be ready for receiving guests by March 1976. The project is estimated to cost Rs 1.89 crores. It will be financed by the share capital of Rs 70 lakhs and rupee term loans of Rs 1.19 crores.

Uniloids Limited, incorporated on the April 28, 1973, is setting up a plant at Hyderabad for the manufacture of drugs and pharmaceuticals such as Nicotinamide, PAS Sodium, Isoniazid and Thiacetozone. The company proposes to enter the capital market shortly with a public issue of Rs 18.50 lakhs.

The company has been promoted by Dr K. Anji Reddy, Mr D. Kamalakar Reddy, Mr P. V. -Krishna Reddy, Mr V. Lakshminarayana Rao and Mr M. Ramana Reddy.

The project cost has been estimated at Rs 82 lakhs. This is proposed to be financed by a share capital of Rs 32 lakhs, Rs 8 lakhs from the promoters, (Rs 5.50 lakhs reserved for allotment to Industrial Development Bank of India (IDBI) and Andhra Pradesh Industrial Development Corporation, and Rs 18.50 lakhs to be issued to the public), term loans from IDBI (Rs 35 lakhs) and the Andhra Pradesh State Financial Corporation (Rs 15 lakhs). The company has already acquired the land and construction of the buildings is in progress up. The site is favourably located in respect of availability of raw materials, skilled labour and other facilities. Barring unforeseen circumstances, the production is expected to commence by the end of the year.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Equity dividend declared for: Previou year
Higher Dividend			
Hindustan Wire Products	March 31, 1974	12.0	10.
Hemalatha Textiles	June 30, 1974	10.0	Nil
Gwalior Sugar	June 30. 1974	5.0	Nil
Madhavnagar Cotton	June 30, 1974	12.0	7.
Same Dividend			
Rajasthan Spg. & Wvg.	September 30, 1974	7.5	7.
Jaipur Udyog	June 30, 1974	Nil	Nil
Ralli Chemicals	August 31, 1974	Nil	Nil
Gujarat Machinery Manufacturers	September 30, 1974	10.0	10.
Reduced Dividend			
Bharat Sugar	June 30, 1974	12.0	20
Deccan Sugar	May 31, 1974	12.0	14.
Crompton Greaves	June 30, 1974	8.0	15.
Shree Akkamamba Textiles	June 30, 1974	12.0	15.
Orissa Cement	December 31, 1974	10.0	20
Upper Doab Sugar	September 30, 1974	12.0	20

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Chairman's Statement:

ICICI

H. T. PAREKH
ICICI Chairman
sees favourable pointers concerning India's investment and trade.

- Rising capital investment in agriculture
- Short-term measures will not revive the economy
- Suggestions to improve growth rate
- Corporate operations

evelopments in 1974

In a sense, the year 1974 pened auspiciously in that he kharif crop for 1973 was ood. Government, for a hile, experimented with a olicy of takeover of wholeale trade in foodgrains, but ad to give it up. Procurenent during the year was low, ut from the point of view f the economy, this was not disaster since what was not procured by the Government still remained with the farmers (provided consumption had not increased, as there is evidence to believe), adding to the stocks in the economy.

In other spheres of the economy, developments were not particularly encouraging. The Fifth Five Year Plan began in April 1974, but it was overtaken by inflation and high oil prices, so that it was stillborn. In fact, the first year's outlay in the Government sector was nowhere near the required scale to achieve the Five Year Plan target. Investment in the private sector, though showing some increase at current prices, has apparently been stagnating in real terms because of lack of incentives and a clear Government policy on the direction of investment. Industrial production in 1974, according to available indicators, registered a growth of only 3 per cent over the previous year. The economy continued to face power shortages which have had an adverse impact on both agricultural and industrial output. Railways continue to suffer losses owing to the failure of traffic to rise at the planned rate, but perhaps much more because of railways' own internal difficulties.

Credit squeeze, which has been applied in the organised banking sector since the last quarter of 1973, also hindered production to some extent in the absense of proper machinery to ensure regular flow of funds to the producing units. As a result of the squeeze, call money and bank lending rates reached levels which were unprecedented in the history of organised banking in this country. Nevertheless, inflation continued at the average rate of 2% per month during the major part of 1974. Certain other measures were also taken to curb inflation, but it remains to be seen whether they have, in any significant way, served the main objective of bringing down prices in the long run. One of the immediate adverse consequences of these measures has been their dampening effect on the capital market, especially on the new issues activity, which had provided important support to the investment climate during the first half of 1974.

The economic difficulties of India in 1974 do not, however, warrant any undue pessimism. While the country was, in some ways, overwhelmed during most of 1974 by the problems of shortage of essential commodities, inflation and consequent resources shortfalls, hopeful signs were not wanting as the year drew to a close. There have been some welcome signs of price stabilisation during the last quarter of 1974. While no dramatic changes are expected in the power position in the immediate future, there are indications of better and more efficient management of available supply. Though there was a setback to the 1974 kharif production due to inadequate rains, the country should be gathering a good rabi harvest in the coming months.

It is also necessary that we take note of certain new and favourable pointers concerning India's trade and investment. With the large increase in income from oil; the neighbouring economies of the Arab countries, Iran and Indonesia are bursting into activity. My visit during the year to two of these countries, namely Indonesia and Kuwait, gave me a first hand impression of the changes that are taking place in their economies and the opportunities that lie ahead for India. I am happy to note that our Government has had fruitful dialogues with countries like Iran, Iraq, United Arab Emirates etc. which open up promising prospects for mutually beneficial economic collaboration. Nearer home, in the Indian subcontinent itself, conditions of stability are emerging for the first time after independence, and the current year will see resumption of trade with Pakistan.

Indian enterprise, it is gratifying to note, has also been active abroad, seeking manufacturing and contracting opportunities in the neighbouring countries, reflecting its new-found confidence in its managerial and technical abilities. It is a good sign that India's exports of manufactured, particularly of non-traditional, items have expanded fairly rapidly in recent years. With the substantially expanded opportunities for mutual trade between India and its neighbours in sight, further stimulus to India's industrial exports, and expansion of investment over a diverse range of complementary activities are now a distinct possibility.

Apart from these hopeful indicators, I would also mention, on the credit side, the pragmatic reshaping of economic policies of the Government. This is beginning to be seen in the recent months. Less reliance is being placed on price controls and there is a clearer stress on production growth.

Rising Capital Investment in Agriculture

However, the presence of these favourable indicators does not by itself constitute a policy for investment growth. As has been happening for almost a decade now, the overriding consideration governing the investment levels has been financial stringency. Confronted with resource constraints, caused mainly by inability to control non-developmental expenditure, Government has slowed down investment in the public sector, infrastructure development and much needed expenditure on social services. This has retarded, in no small measure, the overall growth of the economy. Resource constraints have also come in the way of full-hearted implementation of regional development policy, despite certain commendable beginnings in this direction.

In this context, notice should be taken of increasing use of capital resources by the agricultural sector. The rising long-term trend in agricultural out-put, it has to be realised, has come about not so much by changes in organisational or tenurial reforms, as by increasing inputs into agriculture. Thus agriculture has become a capital-intensive activity, using more fixed capital in the from of irrigation projects, wells and pumps, many of them based on scarce power resources, and working capital inputs in the form of fertilisers and pesticides. While it is true that a large part of investment at the farm stage is through direct financing by the farmers, it is also true that there has been an increase in bank finance to agriculture. Perhaps, the shortage of capital which the rest of the economy has been facing is partly due to the fact that agriculture now absorbs a larger amount of public capital than it had in the earlier years. Likewise, the shortage of power, which we notice presently, is, in part, attributable to absorption by agriculture of a fairly large part of power output.

Despite an apparent conflict between the claims of the agricultural and the industrial sectors, it is, in my view, one good augury in the present situation that investment in agriculture is being maintained at a reasonable pace, thanks to considerable generation of incomes and plough back of savings in this sector. We should keep up the tempo of investment in agriculture, and bank finance should continue to flow in adequate measure to this sector. If growth is to be achieved and the position of those below the poverty line is to be improved, agriculture must receive the first attention of Government. In fact, if, during the last three years of the Fourth Plan, foodgrain output had been achieved at the rate targeted in the Fourth Plan, Government would have had 25% more foodgrain output (or almost 75 million tonnes more of foodgrains over 3 years) which would have solved all our problems of inflation, of constraint of resources and of abysmal poverty.

Given the high growth rate in population, the country, which doubled the foodgrain production during the last 25 years—from around 50 million tonnes in 1950-51 to over 100 million tonnes at present—should plan for accelerated efforts in this direction and aim at a further doubling of food production during the next 15 years. The pace should really be set now; to make up for the shortfall during the previous Plan, the rate of growth for food production during the Fifth Plan should be around 6% instead of 4.2% proposed in the original Fifth Plan document.

Short-Term Measures will not Revive the Economy

It is in finding an answer to the problems of resource constraints towards maintaining a steady upward momentum of investment in the industrial sector, particularly in ensuring achievement of our targets in the priority areas, that we need to do some fresh thinking.

Unfortunately, measures taken by Government show that it is overwhelmed by short-term problems and is not able to devote its attention to the more long-term problems of growth of the economy. Inflation, no doubt, is a major problem at present, but curbing inflation at the cost of investment growth causes a still greater problem of foregone production. Some of the measures taken by Government have deterred, instead of promoting investment and influenced adversely incentives to save and invest in the capital market. As an example, I would mention the restriction on dividends which was brought in (evidently as a measure balancing the compulsory deposit of wages and dearness allowance payable to labour) by Government mainly to contain inflationary forces; it has resulted, not altogether unexpectedly, in companies not being able to raise fresh capital on the market. This has, as is well-known, hurt the Unit Trust also requiring special corrective action by Government early in January this year.

I am suggesting a course of action which may sound inconsistent and heterodox in relation to the present thinking, but as Pandit Nehru used to say, it is dangerous not to take risks in a difficult situation, and we are in this position today. Inflation cannot be brought down instantly. It would be much more mature to plan to bring down slowly the rate inflation. It is within such an immediate framework alone that a policy of growth can be established.

Suggestions to Improve Growth Rate

My first suggestion here is that we must find a solution to the problem of high costs of projects and the shortage of resources to implement them. Apart from the remorseless effects of inflation, changes in the project scales have also contributed to high project costs. In my view, the answer to this problem lies in a pragmatic scaling down of the size of some of these projects or their phased implementation, as the alternative is often that the projects may not be taken up at all or delayed even at the start.

Secondly, the country should assiduously cultivate trading and investment connections abroad, particularly with some of our capital rich neighbours, to minimise the initial burdens on the country's resources and endeavour to off-load the capital and power intensive activities to some of the capital and fuel rich countries. Fertiliser manufacture, where urea and ammonia products can be conveniently divided between India and its neighbours, is a case in point. It does not preclude India from later putting up the integrated facilities within the country.

Thirdly, a large amount of capital is locked up in projects which take a long time to complete. This represents a waste of resources, in the sense that projects go into production much later than they should have, and in the meanwhile the economy loses output or has to use scarce foreign exchange to maintain the supply of the product. It is desirable that Government lay down, both for the public sector and for the private sector, fairly specific time-limits for completing projects and provide them with all resources needed to complete the projects.

Finally, I believe the situation of high cost of today's projects and the handicaps these new projects face in relation to older enterprises in the respective sectors, call for an enlargement of the present package of investment incentives. The need is all the more urgent in view of my earlier suggestion that we consider a phased implementation of projects, notwithstanding considerations of scale. I, therefore, suggest that Government seriously consider re-introduction of development rebate for a period of five years or so, at least in respect of priority industries. When the withdrawal of this incentive in the 1973 budget was announced, no one had foreseen such a steep increase in the cost of capital investment.

I am also inclined to suggest revival of two other incentive schemes, both of which have a bearing on promotion of new industrial investment. One of these is tax credit in respect of investments in the equity shares of new companies. This will, to some extent, contribute to a revival of interest in new capital issues. In order to enable a new unit to compete with established units, and to attract promotional and general investment interest in new projects, suitable excise duty rebates will also have to be considered. To have the desired impact on the supply of risk capital, it is only proper that we provide facilities by way of lower excise duties, to new industrial units during the first five years of production.

Apart from excise duty rebates specifically directed to new units, Government may also consider a general reduction in excise duties on selected items with a view to stimulating demand, and thereby industrial production and investment. In my opinion excise duties and other indirect taxes, levied at several stages, already constitute a significant component of the final product prices. I would suggest that Government review the entire structure of excise duties and suitably reduce their rates, so as to provide some relief to consumers from the present high prices and to promote an adequate market growth of the industries concerned.

I am aware of the resource stringency faced by Government. The measures suggested here contain a built-in potential for larger revenues in the long run through larger investment and production. If, however, there is any apprehension of revenue loss, I see several avenues for recouping the resources.

To mention just one of these: I feel that Government must give up the principle of subsidising any individual sector in the economy. If subsidies have to be given, it should be done only through cross-subsidising within an activity, so that there is no need to use net Government resources on that activity. For example, at present, Government provides a subsidy of about Rs 225 crores per year for food distribution. While the need to protect the underprivileged remains and, therefore, the need to provide foodgrains to them at low prices is urgent, it is desirable that the revenue lost through subsidising this sector is made up by Government selling foodgrains at higher prices to people whose incomes exceed Rs 1,000 per month.

Controlling growth in public expenditure, collection of tax arrears, improving the performance of public sector undertakings are other well-know avenues for raising additional resources. These should be fully explored for ensuring sustained investment in the economy.

If the rate of growth is raised by these measures, the economy will be able to generate surpluses which can be used not only for accelerating the rate of growth further but also for improving the lot of the very poor. The demands on a poor economy like India's are multifarious. In a sense, it is an economic problem to allocate limited resources among diverse ends. But it also becomes, in India's context, a social and political problem. It requires wisdom on the part of our policymakers to ensure that they face up to the challenges before this country. I do hope that, in revising the Fifth Plan, the planners and Government will give the above considerations due weight.

Corporate Operations

Coming to the operations of the Corporation, the demand for foreign currency funds was well maintained during the year and the Tenth Line of Credit from the World Bank is being drawn upon. Negotiations for a new line of credit from the World Bank are already under way and are likely to be concluded in the near future.

During the year under review. ICICI obtained the Thirteenth Line of Credit of DM 5 million from the Kreditanstalt fur Wiederaufbau. Negotiations are nearing completion for another line of credit of DM 7 million. The Fifth sterling loan of £ 1 million from the U.K. Government was also received through the Government of India. The Industrial Development Bank of India provided the counterpart funds against the Fifth U.K. loan. I would like to thank the World Bank, the KfW, the UK Government and the IDBI for the continued confidence they have shown in this Corporation. I also thank the Government of India for providing the required guarantees.

Due to worldwide inflation and uncertain and fluctuating market conditions prevailing throughout the year, circumstances were not favourable for fresh borrowing in the Euro-currency market. Avenues of raising additional foreign currency resources are, however, receiving our attention on a continuing basis.

In regard to rupee resources, we have called up the balance share capital of Rs 2.50 crores out of the Third rights issue of Rs 5 crores. ICICI made its Fifth debenture issue for Rs 9 crores in June 1974; this issue, which like all previous issues was oversubscribed, is the largest single issue so far. Our thanks are due to the institutions, banks and individuals who helped us to make the issue a success. In early 1975, we propose to raise Rs 5 crores by way of debentures to finance our rupee operations.

Operations

Net sanctions made by the Corporation during 1974 amounted to Rs 62.72 crores (against Rs 59.27 crores in 1973). Of these, an amount of Rs 51.71 crores was in respect of 120 specific projects. The total cost of these projects, when completed, is estimated at Rs 534 crores (including Rs 153 crores for working capital requirements). This cost is proposed to be met by Rs 79 crores share capital (Rs 73 crores ordinary and Rs 6 crores preference), Rs 217 crores long-term loans and debentures Rs 11 crores deferred payments and Rs 227 crores cash accruals, bank borrowings, unsecured deposits etc. The total turnover of these projects, in a year of normal production, is estimated to amount to Rs 459 crores.

Other Activities

Among Corporation's other activities, I should touch upon two new areas of interest which received our attention in 1974. For nearly two decades ICICI had been engaged in the financing of industrial projects and their successful completion but little was known about the socio-economic impact of these projects on the life style of the people immediately affected by them. As part of our continuing interest in these problems the Corporation has brought out a publication containing a study of the impact of the Gujarat State Fertilizers Company on a predominantly agricultural, traditional community.

Another area of activity in which this Corporation took some interest during the year was the promotion of rural development. The Corporation agreed to support a scheme for setting up lift irrigation schemes and allied activities in rural areas in Osmanabad district, Maharashtra. Under the proposal, ICICI will provide a small grant initially, and other financing not exceeding Rs 5 lacs in all, to a Land Institute set up for this purpose.

In addition to the North Eastern Industrial and Technical Consultancy Organisation (NEITCO), in the setting up of which we were associated, ICICI support has already been extended to the formation of a new consultancy organisation in Bihar—The Bihar Industrial and Technical Consultancy Organisation (BITCO). Two other organisations in formation, which will receive ICICI support are: one in Uttar Pradesh and another for the States of Andhra Pradesh and Orissa.

Finally, I would like to mention that this Corporation has continued to receive devoted service from its staff; I take this opportunity to express my sincere thanks to them.

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RECORDS AND STATISTICS

Charter of demands

ON BEHALF of the people of India in general and the non-communist opposition parties—the Congress-O, the Bhartya Lok Dal, the Socialist Party the Bhartiya Jana Sangh, the DMK, etc.,—in particular, Mr Jayaprakash Narayan presented on March 6 a charter of demands to the Speaker of the Lok Sabha, Mr G. S. Dhillon, and the Chairman of the Rajya Sabha, Mr B.D. Jatti.

Withdrawal of Emergency

The charter called for immediate elections in the states of Bihar and Gujarat and withdrawal of emergency, the Maintenance of Internal Security Act, the Defence of India Rules and the other laws which curb civil liberties. Among other things, it also demanded reconstitution of the Election Commission into a multi-member body composed of persons of indubitable integrity; inclusion of expenditure incurred by political parties in the returns of individual candidates; immediate implementation of the recommendations of the Santhanam Committee on corruption; appointment of judicial tribunals with adequate powers to inquire into allegations against persons occupying high positions, including the prime minister and chief ministers; enactment of a law requiring of holders of public office to declare their assets immediately on assumption of office and periodically thereafter; accord of the highest priority for the achievement of universal primary and adult education: and concerted measures for containing unemployment.

The following is the text of the charter of demands:

We, the people of India have gathered here to express solidarity with the struggle of the Bihar people which has come to symbolise people's aspirations all over the country. When basic principles of public life and good government are allowed to be trampled it is the people's duty to protest. We march today to seek justice and preserve democracy.

We pledge ourselves to a total revolution in society which will create a new order of social and economic equality, genuine democracy, and moral values within the Gandhian framework.

Cherished Objectives

In order to advance towards the achievement of these cherished objectives, we focus attention on the following urgent demands:

Fresh Elections in Bihar and Gujarat : The legislative assembly of Bihar has forfeited the confidence of the people of the state. The assembly is fearful to contact with people. It barricades itself behind fences and bayonets. It has long since ceased to beat with the pulse of the people. It upholds a government that has misadministered the state and has trampled under foot the cherished rights of the people.

Far from stopping maladministration and widespread corruption in the government, the Bihar Assembly has unhappily become a party to them. The political sovereign, the people, have for long demanded dismissal of the legal sovereign that now usurps authority.

In Gujarat, the state government was overthrown and the assembly dissolved nearly a year ago in the wake of a people's movement. But free elections are yet to be ordered. Therefore our first demand is that the government in Bihar be dismissed and its assembly dissolved and fresh elections be ordered at an early date in Bihar as well as Gujarat.

Socio-economic Goals

Securing the Socio-Economic Rights of the People: The government's ruinous policies have led to economic stagnation on the one hand and increasing poverty, soaring prices and growing unemployment on the other. Non-availability of essential commodities has become a permanent feature of the lives of the weaker sections. Nearly 60 per cent of the population lives in conditions of semi-starvation and their number is increasing at an alarming rate. social inequalities are increasing.

The vital social and economic rights of the people have to be secured urgently and the following steps must be taken for the purpose ;

1. Provision of the basic necessities of life should be ensured to the weaker sections particularly the poorest 60 per cent of the population at prices within their reach.
2. Prices of essential goods should be related to costs and there should be a reasonable balance between agricultural and industrial prices. Prices should be stabilised and price rise must not exceed the rate of increase in the national income.
3. Need-based minimum wages and incomes should be guaranted to all.
4. Economic inequalities should be minimised so as to bring them within reasonable limits such as 1 : 10.
5. Effective land reforms ensuring equitable redistribution of land, securing of tenure based on the principle of land to the tiller, ownership of homestead land to the landless and assurance of fair wage to agricultural labour, a substantial part of which should be paid in kind.
6. Assurance of full employment. Development of agriculture and of the rural economy through the application of an appropriate technology should be given the highest priority for this purpose. Programmes of industrialisation should similarly be based on techniques and schemes involving massive mobilisation of manpower.
7. Creation of a regime of national austerity with the government to set the tone in this regard. This would involve a ban on import of luxury items and their manufacture at home.

Denial of Rights

Democratic Rights and Civil Liberties : In violation of the spirit of the Constitution the government continues to maintain a state of National Emergency. The rule of law has been systematically replaced by the use of MISA, DIR and governance by ordinance. Democratic rights are being denied to large sections, legitimate and peaceful struggles by the people are suppressed by use of central and state police. In order to restore, defend and expand the content of democracy we demand:

1. Immediate withdrawal of the emergency as well as MISA, DIR and other laws which militate against civil liberties;

2. Granting full political and trade union rights to the teaching and non-teaching staff of schools, colleges and universities;

3. Granting of full political and trade union rights to workers and employees in the

commercial and industrial establishments in the public sector.

Free and Fair Elections: It is essential that Parliament and assemblies be made more responsive to popular aspirations. Elections must not be allowed to be influenced by use of official machinery, money power and recourse to force.

We therefore urge that:

1. The unanimous recommendations of the Joint Parliamentary Committee on Electoral Reforms in which the members of the ruling party were also present should be implemented without delay.

2. The government must not be allowed to make major policy statements, sanction projects, lay foundation stones and announce other measures to tempt the electorate after elections have been notified.

3. The Election Commission should be a multi-member body manned by persons of indubitable integrity, such as judges of Supreme Court and the High Courts. They should be selected by a board consisting of the Chief Justice of the Supreme Court the prime minister, and the leader of the opposition (or a representative of the opposition acceptable to all groups).

4. Political parties must be required to submit election expense returns. Expenses incurred by parties on individual candidates including the general party programme should be included in the returns filed by candidates.

5. Use of radio-TV, government vehicles, aircraft and other government apparatus for party purposes should be forbidden to the ruling party except on terms of parity with opposition parties.

6. Prohibition should be enforced a week before and on the day of polling.

7. On polling day, all vehicles including private cars, excepting those engaged in essential services, must be off the roads.

8. Counting must be done boothwise; the ballot paper recount of each polling station

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uld be publicised immedia- y after polling; and only one lot box instead of three or ır should be made available every booth with stand-by angement for any contin- ıcy.

9. The accounts of total llot papers polled or other- se used, including the num- rs of the first and last ballot pers in each polling station, ıst be made available to the ents of all the contesting ndidates in the polling ation concerned.

10. The age of voting ust be lowered to 18 years.

11. The right of recall ıould be provided in the Con- itution.

Decentralisation of Political ower : In view of the growing ntralisation of power and ıe destruction of democracy the grassroot level by the overnment, it is necessary to rovide constitutional guaran- e for genuine self-govern- ent by decentralisation of owers and their effective dis- ibution among gram pan- ıayats, zila boards, states ıd the centre.

Educational Reforms : 1. ducation must be the instru- ıent of the creation of a ciety based on the ideals ıshrined in this charter, and ıould lead to modernisation stead of westernisation;

2. Effective steps to raise ıe quality and content of lucation in keeping with ational requirements. The resent pattern must be revis- l at every level;

3. Vocationalisation of lucation from the secondary age coupled with a system of onomic planning guarantee- ıg employment. A university egree should not be a requi- ment for any but academic bs;

4. Highest priority to achi- ving universal primary educa- on and universal adult edu- ation within five years;

5. Check on interference y the government in educa- onal institutions. The mana- ement of these institutions should ordinarily be entrusted to their respective teaching staff, along with democratic student participation.

Eradication of Corruption : Political corruption is eating into the vitals of our political life. It is disrupting development, undermining the administration and making a mockery of all laws and regulations. It is eroding people's faith and exhausting their proverbial patience.

In order that public life is cleansed of this cancerous malady, we demand:

1. Appointment of high-powered judicial tribunals with powers to enquire into allegations against persons in high positions, including the prime minister and chief ministers. In cases where charges of corruption are substantiated prosecution of the persons concerned should be obligatory. In all cases reports of enquiries should be published;

2. Implementation of the recommendations of the Santhanam Committee regarding allegations of corruption. In case of doubt whether there is prima facie case for an enquiry, the matter should be determined by a judge of Supreme Court or High Court or by judicial tribunals where such tribunals independent of the executive and with adequate power exist;

3. A law should be framed requiring all holders of public office to declare their assets immediately on assumption of office and periodically thereafter.

Mohan Dharia's statement

EXERCISING HIS right to make a statement in Parliament following the Prime Minister, Mrs Indira Gandhi, dropping him from the union cabinet on March 2, for his advocacy of a dialogue between the government and the parties in the opposition and Mr Jayaprakash Narayan, Mr Mohan Dharia asserted in the Lok Sabha on March 5, that his above plea was in conformity with the accepted policies of the party as well as parliamentary democracy. The former minister of state for Works and Housing, assailed the Prime Minister for not fulfilling the promises made to the electorate in the last general election and vehemently criticised the attempts of the Communist Party of India (CPI) to trade in the difficulties of the Congress. He also emphasised the need for the administration absorbing certain ethical norms and becoming responsive to the urges and grievances of the people. In any slowing down of these basic values, he stressed, the democratic system lost not only its vigour but also its face. "To adopt a callous attitude towards rising doubts in the public mind is easy but to ignore them is very dangerous,', he added.

The following is the taxt of Mr Mohan Dharia's statement in the Lok Sabha on Wednesday:

Mr Speaker, I rise to discharge a painful parliamentary duty which is cast upon me. It cannot be a pleasure to make this personal statement to explain the situation in which I resigned from the Central Council of Ministers. I am on my legs with full sense of responsibility and accountability towards this august House and to the people of the country. Sir, to make my statement explicit to the honourable members of this House, I reproduce from the Prime Minister's letter of March 1, 1975, received by me at 1.15 p. m. on March 2.

'I have been astonished to read newspaper reports of some of your speeches and also your reply to the letter of the Maharashtra Pradesh Congress Committee. It is obvious that your views on this issue are not in conformity with the thinking of the Congress Party. If you had any doubts was it not your duty to convey them to me? In the circumstances it is not proper for you to continue in the Council of Ministers. I am informing the President accordingly". After the receipt of this letter, I immediately sent my letter of resignation to the President which is as follows:

'I have just received a letter form the Prime Minister, copy of which is attached herewith. Had the Prime Minister shown the courtesy of indicating me her intention, either directly or indirectly. I would have immediately and willingly trendered my resignation. This letter of mine may kindly be treated as my resination from the Council of Ministers of the Government of India. I will offer my comments in this matter either through a statement to be made in Lok Sabha or through a press conference".

Sir, Broadly I will dwell on the points raised in the Prime Minister's letter with other related circumstances.'

Critical Times

Sir, we are living through critical times. The nation is facing unprecedented problems; the economic, social and political situation is in a state of ferment. I am fully convinced that I have to respond to this situation in a restrained manner. I was astonished and pained to read from the letter of the Prime Minister that I have not conveyed my differences of views to her. It has also been said that I do not share the policies of the Congress Party. I have not been able to understand the basis of these conclusions. Just to put the record straight I want to state that I have used the party forums and other avenues to make my view known to the Prime Minister and other dignitaries of the party to which I have the honour to belong. As early as November 19, 1974 I had sent a letter to the

Prime Minister along with my note and requested her to take up the matter at the Narora camp with a view to evolving a time-bound programme of action.

I had suggested that integrated battle on social economic and political fronts will have to be fought if we are to succeed against the reactionary forces in the country. I have expressed these views in my statements, speeches and public utterances. My letter of February 26, 1975 to the Prime Minister further elaborates my views. I wrote this letter after I endeavoured to get an appointment since February 11 which could not materialize. I have made all possible efforts to keep her posted with my thinking. Even on most delicate and complicated issues I have ventured to express my opinion frankly to the Prime Minister. On October 7, 1974, I personally conveyed my feeling that the continuance of persons with dubious reputation in the ministry would erode the credibility of the government. I had no misgivings about the effect of my suggestions and requests, but in a democratic set-up, I thought it my duty as a colleague to suggest the way out. It is unfortunate that very often these suggestions were not given any consideration and were ignored. On the contrary it resulted in growing misunderstandings.

Ethical Norms

Sir, to me democracy does not mean a mere tool to acquire political power and to hold it. It is a system meant to involve people in determining and running the course of country's administration with a view to achieving the objectives of the Constitution and the struggle for freedom in which the whole nation joined.

The administration is expected to absorb certain ethical norms and should be responsive to the people's urges and their grievances. It is essential for the survival of this system. In any slowing down of these basic values, the democratic system loses not only its vigour but also its face: To adopt a callous attitude towards rising doubts in the public mind is easy but to ignore them is very dangerous. With this understanding I had no other option but to raise my voice at times even at the risk of being misunderstood.

It may be easy to suppress the dissenting voice but surely it does not help the democratic functioning. In democracy we derive our strength and authority from the peopl
If this very source dries up
its decay is inevitable. Th
strength of this system i
directly linked with the peo
ple's confidence in the honest
and integrity of those wh
are at the helm of affairs an
also with their spontaneou

Foreign exchange credits up to Rs.30 lakhs

for import of capital equipment by small and medium scale industries in Karnataka

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viction in the purposeful- s of the functioning of the em. If this faith dwindles re will be nothing left ex- t frustration and despair ich ultimately leads to os and anarchy.

After 1967 we witnessed h a spectacle when in ny places uncertain uations occurred. The ivulsion in the Congress rty in 1969 was the result this situation. As a mble worker of the party, lso contributed my mite to tore the faith of the people the Congress and also in democracy. Under the le leadership of Mrs Gandhi faith was restored and ople extended their unflin- ing support, which was re- cted in the Lok Sabha ction results of 1971 and sembly elections of 1972. e period between 1969 and 71 was one of making pro- ses and giving assurances the people in the new situ- on.

of Performance

In my view the period rting from the year 1971 uld have been marked by determination of the Con- ss and the administration to er upon an era of perform- e, not only convincing to us, to the people. The Congress ction manifestoes of 1971 1972 and the resolutions the party are the charter ction on issue like poverty, mployment, rising prices, -availability of essential cles of mass consumption the need for massive dis- bution system, elimination social and economic dis- ities, curbing of growing nopolistic trends, removal regional and other imba- ces by paying special atten- to economically backward as and weaker sections of population, eradication of ck money and corruption, plementation of land re- ms, changes in educational tem, the overhauling of the ninistrative apparatus and urgent task of electoral orms.

These programmes were jected to get the willing cooperation of the people to tackle these problems. These commitments to the people were made with the full knowledge of the hurdles, that were bound to come in the way of implementing these programmes. Sir, if these very programmes were taken up by other political forces or individuals, how can we go back on our own assertions and reject a meaningful dialogue for the implementation of these policies and programmes? In my view such a dialogue is the essence of parliamentary democracy.

Delicate Balance

Parliamentary democracy hinges on a very delicate balance. If we have to run this system, we have not only to give opportunity to the opposition to criticize and attack us but we will have to instil a feeling in them to be copartners in the nation-building activities. Today we are too much engrossed with problems of a small section of our people. The elitist politics of today is more concerned with the niceties of political manoeuveres and the whole energy is being frittered away in gaining a point over adversaries.

We must remember that we are the representatives of a poor nation. Seventy per cent of our people are illiterate. The number of illiterates has steadily gone up during the last 17 years of our freedom. About two-thirds of our people are living below the poverty line. Out of 120 million people, who live in urban areas, nearly 30 million have filthy slums or footpaths and hume pipes as their dwelling places. Lakhs of our younger people, both educated and uneducated, are deprived of any opportunity to participate in the production processes and are denied to earn a dignified living. They have at present neither a feeling of participation in nation-building activities nor can they look forward with hope for a fuller and richer life for tomorrow.

This situation has caused enormous social tensions and strains. Even before the present movement led by Mr Jaya Prakash Narayan, there were sporadic acts of violence and unrest at many places. If these problems remain, agitations are bound to grow. It is nothing but an expression of the surging albeit suppressed feelings of young men. If we have to remedy the situation, our emphasis should be on solving the problems.

Over-politicalization of the issues will further complicate them. Instead of having a solution, if we get involved in acrimonious debates, we way be driven away from the objective. It is for this reason that I ventured to suggest a policy of national dialogue and consensus on burning problems. I fail to understand how this approach goes against the accepted policies of the government, the party or the tenets of parliamentary democracy.

Serious Dialogue

Sir, the Prime Minister in her letter has made a reference to my reply to the President of the Maharashtra Pradesh Congress Committee. I shall not like to go into the political considerations of the letter and the reply thereto. But it will not be out of place if I quote from the letter which is relevant to this point.

> "It calls for a very serious dialogue. This view of mine is also consistent with the philosophy of our party. While addressing the Congress Parliamentary Party meeting on February 15, 1975 (the very day you released the letter), our Prime Minister advised the party members with a view to avoiding acrimonious debate and confrontations. In the Presidential Address, delivered by the President only day before yesterday, he said:
>
> 'I appeal to all sections of the people to ponder seriously over these fundamental issues, offer positive and constructive suggestions and criticism and cooperate with the government in working out national solutions. This is the democratic way. Any other way will lead only toc haos and disillusionment'.
>
> **No Deviation**
>
> The policy enunciated by the President is the well considered policy of the central government and the Congress Party and I have committed no offence in making that demand in the Congress camps and even outside. I would like to reiterate that whatever I have said is absolutely in the interests of the country, democracy, our party and the Prime Minister. If it is a crime, I openly confess that I have committed the crime and in the interests of the country and democracy whenever necessary, at any cost or sacrifice, I shall fearlessly and repeatedly commit the same".

If a suggestion is made by the President and the same view is expressed by the Prime Minister I have every right to feel that my plea for a national dialogue with opposition parties including persons of the stature of Mr Jayaprakash Narayan is neither against the accepted policies of the party nor aimed against parliamentary democracy. It is all the more necessary in meeting the present situation which is facing the nation.

In a period of growing distrust and discord, it is the duty of parliamentary institutions to be the radiating points to generate mutual cooperation and goodwill in the minds of the people. To have conciliation and compromise for implementing national objectives is not a crime. In my speeches or in my stand on public issues I have not given any quarter to the reactionary and obscurantist forces nor have I ever pleaded for any clemency to those who stand in the way of achieving our national objectives. I have been of the view that the cooperations of all such parties and people should be sought who are willing to contribute in the implementations of the policies in the interest of the common man. I did try to lift these issues and objectives from the narrow confines of political labels. debasingly used to control the levers of power.

CPI's Role

I am constrained to mention that some friends who claim to help up in acclerating the process of implementation of policies have thought it proper to use it for their own political ends. When they find my views inconvenient, they do not hesitate to indulge in the worst type of personal vilification. It will be in their own interest if my friends in the CPI realize, even at this stage, that any attempt to trade in the difficulties of the Congress Party and to aspire to share power through political machinations will prove disastrous. It is a sad spectacle that the CPI can conveniently ignore policy deviation but has developed a tendency to make big issue of certain trivial matters which really do not count in the larger perspective in achieving our goal. They seem to be engaged in exaggerating differences on unreal and imaginary issues and thus indulging in a sinister design to tarnish the image of the Congress Party and its honest and tried workers and leaders. With all the camouflage they cannot conceal their real face from the people. It is bound to be exposed and in the process they will lose all that they think they have acquired by taking unprincipled positions.

Sir, ever since I joined the Council of Ministers, I have sincerely tried to fulfil the task entrusted to me. There is no denying the fact that on many occasions I differed with my leaders and with my senior colleagues as happens in demo cratic system. However, I may assure this august House that I have never deviated from my commitments to the country and to the people, whom I have the honour to represent. I presented my views and suggestions in writing to the Prime Minister at the time of the mid-term appraisal of the fourth five-year Plan. Soon after 1972 general Elections I submitted a note on time-bound action progrmme for the central and state Governments and the Congress Party with a view to fulfilling the commitments made to the people.

Similarly, I also submitted a note on the involvement of the people in the process of planning. In September 1972 I submitted a paper "Rising prices, essential articles and commodities of mass consumption and their distribution." I insisted on serious discussion and decisions I felt that the government has a moral responsibility to make available essential articles and commodities at reasonable prices to the common man which is represented in my report on this subject.

Curse of Unemployment

At the Bidhan Nagar (Calcutta) plenary session of the AICC, a categorical assurance was given to the educated youth that programme to generate half million additional jobs for the educated unemployed will be taken up every year. I was put in charge of the cell created in the Planning Commission for this purpose. I made all possible efforts to formulate and implement this programme To my regret no provision has been made for new schemes in the budget for the year 1975-76. I also drew the attention of the leadership to the assurance to implement programmes such as environment improvement schemes, housing for weaker sections and house site, for the landless and to provide adequate amounts for their implementation. Unfortunately there is no provision for the same. It is regrettable that my efforts in this direction not only failed but were not taken in the right spirit.

In this grave situation parliamentary institutions seem to be satisfied with routine functioning and shadow-boxing. Challenges are urgent, situation serious and stakes very high. We cannot afford to be complacent. The younger people are restless. They want to discover their own destiny. The present challenges can be an opportunity, provided their cohesive effort to mobilize the young for the socialist advance.

Symbol of Hope

This opportunity can be availed if these parliamentary institutions become the true symbol of their hopes and aspirations. Sir, may I place on record my fellings of gratitude to you, to the Chairman of the Rajya Sabha, to the Prime Minister, my colleagues in the government and in Parliament and also to the members of my staff for their kind cooperation and affection which they extended in abundance during the tenure of my office.

In the hope of a better deal the people have extended to the point of extravagance in their support to the Congress Party. They are still ready to sacrifice and suffer for the common good. Their endurance is tremendous. But they will refuse to bear up any more with a situation when promises have been forgotten and hopes shattered. I strongly feel that such a situation should not be allowed to develop. As I see the writing on the wall, It feel it all the more intensely my national duty to raise my voice for the carrying out of our party's programmes. I have made all endeavours and strained every nerve for the common goal and shall continue to do so, regardless or risks involved. I am always prepared to pay any price for the values I have cherished and fought for. No hurdles can deter me from the charted path, hallowed by the supreme sacrifice of our martyrs.

Mr Speaker, Sir, I have seen my friends and colleagues falling without the sligl hesitation at the altar of motherland. It is the glor memories of their sacrifice suffering, and not the posit of power, which is the so of my inspiration. Limitat are many and constraints formidable, but let me as you, Sir, that every stru steels my determination more to recapture the spiri the freedom struggle.

I shall end by ren ding the call giyen Swami Vivekandnda to youth of this country. said, "You have read-L upon your mother as G Look upon your father God. But I say—the pc the illiterate, the ignorant, afflicted—let these be Gods. Know that service these alone is the higl religion."

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Secreta

Dated : 21-10-1974

Ganesh runs amuck

FOR THE past many weeks the minister of state in the ministry of Petroleum and Chemicals, Mr K.R. Ganesh, who happens to be in immediate charge of government policy for the pharmaceutical industry, as been carrying on a not-so-subtle war of nerves against the organized sector in that ndustry and, in particular, against firms in which there is foreign equity. Currently a ommittee, under Mr Jaisukhlal Hathi, which had been appointed by the government o advise it on the suitable regulation and sound development of the pharmaceutical inustry so that it could effectively serve the cause of medicines for the millions, is about to omplete its labours. It submitted recently its interim recommendations and is expected o be ready with its final report next month. The minister concerned, it seems, is not nly not prepared to wait for the committee to conclude its work but is keen on ueering the pitch for it.

For those who have been watching the activities of Mr Ganesh in this context, he conclusion is hard to resist that he is using all the means available to him to build p a cold war atmosphere in which it might be easier for him to pursue objectives which are all too obvious. A number of so-called seminars had been got up in the recent past to make it appear that there was a considerable body of informed opinion which was becoming more and more uneasy about the alleged domination of the pharmaceutical industry by multinational firms. Nondescript champions of the 'Indian' sector vs the 'foreign' sector, the decentralized sector against the organized sector or the public sector against the private sector, had been put up to plead for more stringent control over firms having some foreign equity or management or even the larger, wholly Indian-owned firms, in order to ensure that their further growth was virtually stopped or perhaps even their present functioning curbed or disrupted. Meanwhile, the minister had been creating opportunities for himself in the press or parliament to hurl threats, both vague and not so vague, against the 'multinationals' or other 'undesirables' in the pharmaceutical industry. Reports in fact are being circulated in the press that the Hathi committee in its final report will be recommending by a majority view the nationalization of pharmaceutical firms with foreign participation in their equity or management.

Here it is necessary to emphasize the fact that the Hathi committee is no innovation of the present minister of state in charge of Pharmaceuticals, who arrived at that post only recently. It is therefore quite despicable on the part of Mr Ganesh to attempt to convert this committee into a creature of his. Rightly or wrongly an impression has already gone abroad that the minister has been taking an improper interest in the progress or course of the deliberations of this committee and that he has been using his political influence or official position to ensure that his own purposes, prejudices or preconceived notions are served. Quite clearly, this is an unfortunate situation which only a wildly irresponsible minister could have allowed to develop for, apart from anything else, the suspicions or apprehensions which have been aroused, must necessarily come in the way of the Hathi committee's recommendations being evaluated in a context free from misgivings about the motives that may have been at work.

It is a familiar fact of politics or government in our country that, from time to time, some particular industry is picked out for the predatory ministrations of demagogic forces. There were years, for instance, during which the cotton textile industry was singled out for attrition. The result was that, in a period when the Indian textile ndustry had great opportunities of expanding and modernizing itself into one of the world's great textile industries, both capital and enterprise were discouraged from abouring for and sustaining its growth. Similar vandalism was also suffered by the ugar industry and this very nearly brought it to the brink of financial and even physical collapse. It seems to us that today it is the turn of the pharmaceutical industry to be chosen for the pillory. Thanks to political accidents or errors of judgment, the one minister, who is most unsuited to have anything to do with policy-making for Pharma-

eastern
ECONOMIST

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4 APR 1975

ceuticals, has been placed in a position to play mischief or perhaps play havoc with this portfolio. Not surprisingly, then, avoidable and positively harmful tensions are being created in an industry which greatly needs a period of tranquil progress to be able to serve more adequately or effectively the millions of people who must have the benefit of modern medicine in steadily increasing measure. It is always open to the government to have dialogues with the industry or any of its individual parts on all issues of public interest arising out of its current operations or its plans for the future. In fact it is essential that a dialogue of this kind must be a continuous transaction and, if a body such as the Hathi committee could serve any useful purpose, it would be by helping to frame fruitful guidelines for this dialogue. It is therefore nothing short of tragic that a minister, whose political antecedents are far from reassuring and whose activities in the government or outside have always been a source of anxiety for many of his own party-men, should be enjoying so much freedom to pervert policy-making for the pharmaceutical industry at a critical point in its further growth in the service of the people.

It can of course be nobody's case that this industry should be immune to government regulation. On the contrary, the government will be failing in its duty if it does not watch over or enforce the public interest in increasing the availaility of a widening range of essential drugs or their formulations at reasonable prices and with sufficient guarantee as to their authenticity, safety and efficacy. This is a task tremendous in the two-fold sense of being tremendously difficult as well as tremendously important and it is only at the people's peril that the government may permit Machiavellian minds to meddle with it. There is ample room in the expanding pharmaceutical industry for all its legitimate constituents — legitimate in the sense that they have something to contribute to the people's need for proper medicines at fair prices—to play their respective roles with all the dynamism that each of them may be capable of. The government undoubtedly has a duty to see that there is fair competition within the industry, that all parts of it have access to the resources they need and can utilize for the progress of the industry and the good of the public and that nothing is allowed to be done to any part of the industry which may have the result of prejudicing the orderly expansion and diversification of production for drugs and pharmaceuticals according to internationally acce
standards of research, packaging, ma
ing, and quality control in all its asp
The people's medicine is not for bre
in the witches' cauldron of political
venturism.

Role of big houses in West Bengal

In his inaugural address at the annual general meeting of the Bengal Chamber of Commerce and Industry, held in Calcutta on February 21, the West Bengal chief Minister, Mr Siddhartha Shankar Ray, strongly defended the role of big business houses in developing the state's economy and disclosed that he was taking a special interest in providing them with facilities and incentives in order to enable them to play their part. He declared that those who wanted to keep the monopoly houses completely out of the state's industrial activity were not being pragmatic. He said that the implementation of the Monopolies and Restrictive Trade Practices Act had affected West Bengal since this state had not been able to find any alternative entrepreneurship. Mr Ray further observed that when he talked to local entrepreneurs about investment of even Rs 10 crores, they "shake in their shoes". He, therefore, justified the steps that his government had taken in pressing New Delhi to exempt the big business houses from the provisions of the MRTP Act.

The chief minister revealed that in the last two years 29 companies, whose expansion programmes would have been restricted under the MRTP Act, had been granted licences and letters of intent. He added that he was taking care to ensure that these companies speedily implemented their projects. Mr Ray highlighted the industrial progress that West Bengal had achieved since his ministry came into existence. The state received in 1974 a record number of industrial licences and letters of intent aggregating to 106 and 93, respectively. Between January 1, 1966, and March 31, 1972, altogether 1,468 new companies were registered in West Bengal, but this figure rose to 1,
bettween April 1, 1972, and December
1974. In the latter period, 12 large
medium industrial projects with a cap
of Rs 91.53 crores had been commissi
ed. The number of small-scale indust
in the state also rose impressively fr
18,490 in 1970 to 48,000 in 1974.

It is, of course, true that Mr Ra
ministry has been trying its best to ac
lerate West Bengal's industrial devel-
ment. But many impediments and un
tainties continue to stand in the w
The fact that the chief minister has b
able to secure a large number of licer
and letters of intent will not by it
help to promote the growth of indust
unless they are assured of adequate sup
of power and other essential facili
Mr Ray quoted statistics to show
power generation was improving.
there is still a great deal of an
among entrepreneurs that in the con
months the problem would assume ser
proportions. The state has already
curred a heavy loss in production du
shortage of power. As Mr D.P. Goe
said in his presidential address at
above-mentioned meeting, "on acc
of unscheduled and extensive load-sh
ing, the loss of jute mill productio
terms of value was Rs 18.1 crores
January to March, 1974, on top of
loss of more than Rs 40 crores in the
ceding two years. Engineering units
production valued at Rs 34 crores du
the same period, over and above the
of Rs 57 crores suffered in the prev
year. The suffering of other manu
turing units was no less disquieting a
became increasingly difficult to
the wheels of industry moving
power rationing was introduced in
Bengal".

Mr Goenka made some suggestion
solve the problem such as the ti
implementation of power projects,
truction of transmission lines and re

n in the gap between the rated capacity d the actual generation of existing units. e also stressed the need for substantially nproving the performance of thermal ations by ensuring the availability of pares and components, better management, and adequate supplies of the reuired quantity and quality of coal. The hamber's president also requested the hief minister to assist the Calcutta Elecric Supply Corporation in expediting s expansion programme. Apart from hese measures, the government of West Bengal should assess the state's power requirements on a long-term basis and take ffective steps to plan for its generation. The Barman Commission, which recently nquired into the power situation in the tate, is understood to have made many proposals for reorganising the power department and for augmenting production and distribution of power, but the state government continues to keep its report confidential. The state government and the Planning Board should have frank and frequent consultations with the chambers of commerce and other industrial associations and seek their advice and assistance in tackling the power problem.

Another impediment to West Bengal's industrial growth is the credit squeeze. Mr Goenka dwelt at length on this issue and pointed out some specific examples of industries suffering hardship due to the lack of credit. "The export-oriented jute industry which suffered from power cuts and prolonged uneconomic working," he said, "has been hard hit by the credit squeeze and has even experienced difficulty in buying raw jute for lack of funds; a number of engineering units have been forced to curtail production and cancel export orders owing to their inability to maintain a minimum raw material inventory because of a sharp reduction in their overdraft facilities; flour mills which have to pay in advance for the wheat allotted by the Food Corporation of India, the price of which has gone up by 140 per cent, are nonetheless required to hold stocks of finished products for long periods owing to delays in the lifting of flour by government permit-holders, which strains their cash flow position severely." It is true that the impact of credit restrictions is felt all over the country. But since West Bengal's economic development has considerably lagged behind other states, the government of India and the Reserve Bank should see to it that industries in this state are not hit hard due to the lack of credit.

Mr Goenka also referred to the obstructionist role of trade unions. He said that the jute strike had caused "incalculable harm" to industry and workers and avered that it was "extremely disturbing" that in spite of the existence of an elaborate industrial relations machinery, trade unions had chosen to strike at a time when the country was passing through an acute economic crisis. But strangely Mr Ray did not refer to the jute strike. He warned employers against encouraging inter-union and intra-union rivalry and asked chambers of commerce to use their influence to stop such practices. But the state government also should deal firmly with those who incite workers for political purposes and see to it that trade unions strictly observe the sanctity of agreements.

Mr Ray expressed his anger and annoyance at the conduct of certain employers who had neglected and even destroyed tea gardens in north Bengal in their anxiety to earn quick profits. It is certainly regrettable that some employers should be so indifferent as to cause damage to tea gardens. But is not government also responsible for creating this situation? It has been known for a long time that many tea gardens in north Bengal had fallen seriously sick due to various reasons but neither the central government nor the government of West Bengal has taken effective steps to deal with this problem. It is necessary to deal with their difficulties realistically and at the same time to take care that more tea gardens do not fall sick. It is true that the industry was able to secure better prices in 1974 but, as Mr Goenka said, "one year's favourable price factor however does not indicate the industry's long-term prosperity".

Mr Ray's speech at the Bengal Chamber's meeting showed a new awareness on the part of the state government of the urgency of tackling the state's problems of industrial development and it is hoped that in the coming months the chief minister will continue to make energetic efforts in cooperation with the private sector to impart a strong stimulus to the rapid revival of West Bengal's economy.

Search for entrepreneurs

THE SEMINAR on promoting entrepreneurship in the eastern region, which was held in Calcutta on February 1, made a number of recommendations for the development, diversification and dispersal of industries, but hardly any new points emerged from the discussion. The seminar emphasised the need for identifying prospective entrepreneurs, publicising the incentives offered for setting up new industries, improving the availability of power and infrastructure facilities, and bringing about effective cooperation between the large and the small units. It could have been more specific in its proposals especially in regard to the role to be played by the governments of the eastern region in promoting the spirit of entrepeneurship. The state governments, especially of West Bengal, have been persistently complaining about the indifference of the government of India towards the development of the eastern region. In fact, it has been even suggested that New Delhi has been deliberately discriminating against this region in sanctioning industrial licences, in locating public sector projects, in disbursing loans and grants, and in various other ways.

It is, of course, true that the centre has not given adequate attention to the problems of the eastern region, but how far have the state governments themselves taken the initiative in promoting the growth of entrepreneurship? The seminar complained that there were no reliable data about the potential of the eastern region and that new entrepreneurs in most cases were ignorant of the various facilities available for setting up new units. If, therefore, the spirit of entrepreneurship is to be seriously and systematically fostered in the eastern region, the state governments themselves ought to adopt a dynamic approach to this problem. It remains to be seen to what extent they will cooperate actively with the AIEI in working its scheme for promoting entrepreneurship.

The Entrepreneurship Development Service (EDS) of the AIEI will offer two kinds of facilities. First, it will help entrepreneurs to prepare feasibility studies and project reports in the form required to obtain quick technical and financial approvals. Secondly, it will assist in processing project reports with banks and other financial institutions. Besides, the EDS will offer guidance in conducting market surveys and on production processes. The EDS, indeed, is well equipped for performing these tasks since the membership of the AIEI at present covers practically all the major engineering units in the country both in the private and the public sectors.

The speech of Mr K. Hartley, chairman of the AIEI (eastern region), at the inauguration of the seminar, highlighted the important role played by the entrepreneur in the economic development of a country. He said, "The growth of entrepreneurship is one of the most essential elements in promoting the process of industrial growth. Modern economists who have studied the staggering rate of growth achieved in the advanced industrial countries in the course of the last half century or so have characterised the entrepreneur as the hero of the industrial process and have referred to his function of introducing innovations". He pointed out that there was "a marked lack of entrepreneurship" in the eastern region and suggested that industry and government must join hands in actively trying to promote it. Mr Hartley further observed that the large units in the IEAI were fully aware of their responsibilities in assisting the development of the small-scale sector and that they were keen on doing all they could in this sphere. But they can succeed in this task only if the official policies become truly production-oriented.

For the past several years, the large industries in the eastern region have been passing through a critical phase because of the severe power shortage, scarcity of essential materials, lack of demand for their products, and other causes. Even the wagon industry on whose prosperity depends a large number of small industries is not being allowed to function in a healthy condition. This industry continues to operate with considerable idle capacity due to uncertain orders and unremunerative prices. The automobile industry is also unable to play its part in promoting the growth of ancillary industries because of lack of demand for its products. Dr Zainal Abedin, West Bengal's minister for Cottage and Small Industries and Public Undertakings, who inaugurated the seminar, said that it was the duty of the large and medium-scale industries to look after the small-scale entrepreneurs by giving them adequate orders in the matter of supply of componenents and ancillaries. But what are the large units to do when they themselves languish for want of orders?

Dr Abedin told the seminar that though the share of industrial licences issued to the eastern India states declined from 27.45 per cent in 1966 to 16.23 per cent in 1972, there was some improvement in 1974. In that year the number of licences issued to West Bengal was 106 compared to 45 in the preceding year. But it is not known how many of these licences have been effectively utilised. In any case, there is vast scope and urgent need to promote investment in the eastern region both in the public sector and in the private sector.

The establishment of a shipyard in Haldia will, of course, contribute a great deal to the growth of small industries. Mr Hartley said that "practically everything is available in this state which is needed for building a shipyard and a ship". Similar claims have been made by many other states also. But since the economy of the eastern region has suffered greatly due to prolonged stagnation and the problem of unemployment has assumed alarming proportions, New Delhi should favourably consider West Bengal's case for locating a shipyard in Haldia. The setting up of a free export processing zone at Dum Dum will also help to promote the growth of new industries. The AIEI and other industrial organisations in Calcutta have been urging New Delhi to expedite a decision on this project but there seems to be no indication of its coming into existence
near future.

The seminar laid considerable e
sis on the need for the reform of edu
with a view to promoting the grow
entrepreneurship. Mr Hartley plead
"a reorientation in the system of e
tion, making it an instrument tha
prepare the youth to be self-relia
be prepared to take risks and to e
the opportunities that the modern i
rial system opens out". Many sp
at the symposium criticised the syst
technical education prevailing in the
try and suggested the need for great
ordination between the training inst
and the industrial units. It was st
that fresh graduates from engin
colleges and technical schools shou
provided with extensive practical tra

These suggestions need to be pr
implemented but at the same time
equally important to convince the
ted young men that, in their own i
as well as of the country, they
take to self-employment rather tha
after jobs in commercial firms ar
vernment offices. The banks and the
financial institutions have been o
advice and assistance to those wh
to become self-employed in various
But these schemes seem to have
very little impact on the eastern
because of the lack of proper p
and the failure of these instituti
display enthusiasm and initiative
moting self-employment.

Among the other suggestions r
the seminar were the need to pre
industrial map indicating the items
were required to be manufacture
eastern region, wide publicity of
stories of self-employment, exten
the central incentive schemes for b
districts to more areas, and settin
each state an information office
the prospective entrepreneurs wo
tain authoritative guidance. S
these suggestions are indeed use
should be carried out. But ultima
spirit of entrepreneurship can g
pidly, whether in the eastern re
elsewhere, only when the gover
economic policies become pragm
succeed in creating a climate of co
conducive to the vigorous growt
economy.

ROM THE CAPITAL'S CORRIDORS

R. C. Ummat

dget Debate • Engineering Goods Exports • loy and Special Steels • Power Symposium

THOUGH the taxation proposals e union Finance minister, presented arliament on February 28, have in for a good deal of criticism at ands of opposition members on the that at least several of them would a fairly large burden on the nation, . Subramaniam has maintained that, nd large, they are non-inflationary. ying to the general debate on the year's budget in the Lok Sabha last , he reiterated the resolve of the rnment to contain the prices spiral asserted that it would continue its -pronged attack on prices in the form rtailing non-Plan expenditure of both states and the centre, regulating bank it and checking private consumption nced by "illegitimate money". Signi- ntly enough, he revealed that the go- ment would consider the demands for nent of further instalments of dear- allowance to its employees and a her price for rabi foodgrains taking consideration the impact they were ly to have on the price level.

thright statement

Characteristic of his forthrightness was ramaniam's observation that if wage ners and government employees were be called upon to make sacrifices, the ducers of grains also would have to ke matching sacrifices. He asserted t one could not ask for wheat prices to raised to Rs 125-140 a quintal and at same time tell government employees wage-earners not to seek higher dear- allowance. The Finance minister rned that if the increases like the above e conceded, the deficit in the central dget next year was bound to go up much ond the level of Rs 225 crores envisaged him in his budget speech.

Referring to economy in governmental penditure, Mr Subramaniam observed at the government had taken all measures cut non-Plan expenditure. The Plan penditure, he added, had to be increased to cater for the pressing requirements of the priority sectors, particularly agriculture and energy. The next year's Plan outlays on these two sectors, he revealed, had been stepped up by 39.3 and 55.4 per cent, respectively, compared to this year's outlays. This was despite the fact that the overall outlay on the next year's Plan programmes was bing raised by only 23 per cent. Stoutly defending his budget proposals, Mr Subramaniam claimed credit for making the tax structure "discriminatory". Articles of essential consumption, he emphasised, had been left out from additional levies.

incentive scheme

The Finance minister also justified the incentives he has given to the corporate sector for raising output, especially in the chosen four or five priority sectors the resources requirements of which were quite large. These, he stressed, were warranted in the overall interest of the economy. Mr Subramaniam repeated his warning that although prices of late had shown a downward trend, the government could not take a complacent view of this. Unless care was taken, inflationary tendencies could reassert themselves. Incentives for production, he urged, ought to be considered against this background.

The Finance minister derived a good deal of satisfaction from the appreciation in the external value of the rupee in the past six months by one per cent against the major currencies and by as much as four per cent against the US dollar. He read in this success of the ant-inflationary measures adopted by the government.

Mr Subramaniam did not rule out some concessions in his taxation proposals. Referring to the clamour for relief to the bidi industry, powerloom, and yarn and khandsari manufacturers, he indicated that proposals for concessions could be considered at the time of discussion on the Finance Bill. Another significant observation made by him was in regard to demonetisation of the rupee. Asked by Mr Indrajit Gupta (CPI) whether the government would consider demonetisation as a step towards unearthing black money, Mr Subramaniam cryptically remarked: "demonetisation is not talked about; when it comes, it comes".

Referring to external assistance, the Finance minister stated amid cheers: "We are not going to be beggers. The country could and should produce her own requirements." Self-reliance, he therefore added, had to be fostered.

In reply to the criticism from some members that the promises made by the Congress during the last general election had not yet been fulfilled, Mr Subramaniam pointed out that the Bangladesh war, the successive droughts and the spurt in fuel prices had resulted in a situation of galloping inflation. All efforts, therefore, had to be directed towards containing inflation; the old priorities had to be altered.

* *

Encouraged by nearly 38 per cent increase in the exports of engineering goods this year, to approximately Rs 275 crores, which exceeded the target for the year by about Rs 15 crores, the union ministry of Commerce wants the engineering industry to set its sights next year much higher than proposed by the outgoing Chiarman of the Engineering Export Promotion Council (EEPC), Dr B.V. Bhoota.

As against the target of Rs 300 crores suggested by Dr Bhoota, the Commerce minister, Prof D.P. Chattopadhyaya, desired, while addressing the annual general meeting of the EEPC here last week, that the target should be stepped up to Rs 350 crores, so that it should be possible to generate foreign exchange earnings from engineering goods exports to the extent of Rs 500 crores per annum by the end of the current Plan period, i.e. by 1978-79. The Export Production secretary in the ministry of Commerce, Mr S.G. Bose Mullick, even went further in his luncheon address to the above meet and expressed the view that the target should be fixed as high as Rs 450 crores — 10 per cent of the current annual production of the engineering industry, including the small-scale sector, which is Rs 4,500 crores.

Against the over-optimism of the ministry, the outgoing EEPC president, however, thinks that exports of engineering goods next year may not grow at the same pace as they grew this year. The international situation, according to Dr. Bhoota is not now as promising as it had been till lately. He expected not more than 10 per cent growth in exports of engineering goods in 1975-76, primarily because the orders on hand and at the end of the current financial year were likely to be just about half of those at the beginning of this year (nearly Rs 300 crores). Even for achieving a target of Rs 300 crores, he emphasised that every concerted effort would have to be made to book new orders.

The above diversity of opinion apart, the union government is stated to be prepared to help the industry in stepping up exports to the maximum even if the added value criterion needs to be modified further. Recently, in the case of some products, it reduced the added value stipulation from 25 per cent to 10 per cent. Mr Bose Mullick indicated in his luncheon address that, if necessary, the above stipulation could be diluted further as the steel supply situation next year was expected to be quite easy. Prof Chattopadhyaya revealed in his address that attempts were being made to improve export credit. He also admitted that there was need to streamline procedures. The decision on cash assistance for selected exports, the minister indicated, would be announced soon. It is generally felt that our industry can take up turn-key projects abroad in a big way either on its own or through securing subcontracts from foreign parties.

* *

Not only the domestic output of mild steel is expected to show a marked improvement during the current calendar year — in view of which, the secretary to the Steel ministry, Mr Wadood Khan, indicated recently that steel imports this year would be reduced by nearly one-third — the availability of alloy and special steels from indigenous sources too is anticipated to register substantial improvement We produced in 1974 about 400,000 tonnes of alloy and special steels. The output this year is expected to go up to 500,000 tonnes. It will broadly match the anticipated requirements.

The radical change that has taken place on the alloy and special steels front is attributed by Dr B.C. Jain, Managing Director, Bihar Alloy Steels Limited, Ranchi, to two factors —(i) very encouraging improvement in production at the existing manufacturing units, and (ii) the coming on stream of Bihar Alloy Steels. Of the aggregate anticipated output of 500,000 tonnes this year, nearly 40 per cent will be of high alloy categories at the Durgapur Alloy Steel Plant, the Bhadravati works, Mahindra Ugine, Bihar Alloy Steels and Firth India. The remainder 60 per cent will be the production of low alloy and carbon constructional steels at Rourkela, Bhilai, Durgapur and Jamshedpur integrated steelworks, GKW, Globe Steel, Mukand Iron and Steelworks and several "mini" plants. All the existing units, according to Dr Jain, are now working to 80-85 per cent capacity. The Bihar Alloy Steels, which went into production recently, would be producing this year nearly 25,000 tonnes of high grade alloy steel. Production to full capacity — 40,000 tonnes — will follow next year.

In view to the above, the plea of the alloy and special steels industry for a ban on imports of those categories of steel which will be produced within the country in adequate quantities, does not appear to be misplaced. In fact, if the automobile industry continues to suffer from recession, we might have some surplus alloy and special steels which would have to be exported. Owing to the recent decline in the international prices of steel — both mild and alloy — some incentives may have to thought of, in the interest of exporting the surpluses, in the form of duty drawbacks on ferro-alloys and also to compensate for the high cost of power —an essential input for the alloy steels industry. The cost of power alone is said to have nearly quadrupled during the last two years from about six paise per unit to as much as 24 paise per unit. Significant incentives for exports would be necessary for nearly 70 per cent of the higher cost alloy steels. In the case of the lower grade alloy and special steels, they may not have to be large as our cost of production of these steels is not much out of tune with the international prices; in some cases, it is even lower than the global prices.

* *

As a result of several steps taken by the union ministry of Energy to improve the performance of thermal power stations, generation of electricity by these units, specially in the DVC area, has shown significant rise during the current financial year. Between April and January, the improvement over the coresponding period of last ye was about five per cent. The improv ment was particularly marked betwe September and January — approximate 13 per cent. It is intended to genera nearly 6,000 KWH per KW capacity. Th steps which have already been taken i clude: (i) setting up of a cell in the mini try of Railways to keep a close watc over the movement of coal; (ii) checkin the quality of coal both at the despatc and the consuming ends; (iii) establish ment of a training institute at Delh in addition to the two already working a Neyveli and Durgapur, (another institu is proposed to be set up soon at Nagpur) (iv) creation of a spares and service division by Bharat Heavy Electrica Ltd for stocking critical spares an components for maintenance job all ove the country; and (v) availing of the servi ces of consultants who have been visitin the various power stations and assistin the authorities there, particularly in pre ventive maintenance. A standing comm ttee has also been set up in order to ex change views between the indigenou manufacturers and their customers wit the purpose of identifying improvemen which can be effected in equipment de signing, particularly taking into cons deration the qualities of coal available.

other recommendations

Several other recommendations ha been made by a symposium held in Ne Delhi recently. Feeling that there w considerable scope for improvement operation techniques and maintenan procedures at the power plants and ap reciating the difficult oil situation follo ing the hike in crude oil prices duri the past two years, the symposium reco mended among other things: (i) need economise the use of oil; (ii) amending the Boilers Act to reduce the frequency statutory inspection in the case of la utility boilers; (iii) imposition of a pena for non-confirmity of coal supplies power stations to the given specificatio and quality; (iv) development and use erosion resistance materials for parts p ticularly subject to erosion; (v) delegat of both administrative and financial wers in an adequate manner to the aut rities incharge of construction/operat of power stations consistent with responsibilities they are called upon discharge; (vi) provision of suitable inc tives to operational and maintena staff; and (vii) setting up pithead su stations to overcome the difficulties wagon availability for transportation coal. These recommendations are und stood to be being vigorously following by the ministry of Energy. Decisions several of them are expected to be ta at an early date.

ESCAP in Delhi : when neighbours meet

Hardev Singh

THE 10-DAY session of the UN Economic and Social Commission for Asia and the Pacific concluded in New Delhi on March 7, after adopting a comprehensive report on its deliberations. The 38-member UN body representing more than half of the world's population, bulk of it economically backward, will hold its next annual session in Jakarta, Indonesia, in February, 1976.

The executive secretary of the ESCAP, Mr J.B.P. Maramis, stressed that the attention of his secretariat will now be focussed on the implementation of the resolutions adopted at the New Delhi session, which among other things, proposed the setting up of a centre for the welfare of women, to be located in Iran. A draft resolution on the role of women sponsored by ten nations of the region, including India, Pakistan, Afghanistan and Iran, proposed that the centre could assist governments and non-governmental organisations in developing policies, strategies and programmes to strengthen the role of women in national development, especially among the deprived sections of the society. This resolution has been adopted, appropriately enough, in the International Women's Year. The Commission urged member governments to include in their development plans and programmes projects designed to train and equip women to make increased contribution to the social and economic development of the nation. It was suggested that the Asian plan for the association of women in the development process be integrated with the global plan of action which would be discussed and approved at the World Conference of International Women's Year at Mexico, towards the middle of this year.

ransfer of technology

The ESCAP reiterated the need to set up a centre for the transfer of technology. The offer of India to provide host facilities for the proposed centre was welcomed and it was proposed that a group of experts from the ESCAP region should prepare a plan for the establishment of the centre. This plan might be ready for submission to the next year's session of ESCAP at Jakarta.

Though the countries of the ESCAP region are marked by cultural and political diversity, there is considerable similarity in their economies. Consequently developing countries have to depend increasingly on technologies which have been evolved in the region, and are suited to their needs and domestic natural resources. These technologies can be shared with one another and can promote the collective self-reliance of the developing world as a whole. This can come about only when the customary process of what can be called 'trading in technology', by which developing countries have to acquire technology from the highly industrialized ones, is replaced by a process of genuine 'technological cooperation' among developing countries.

self-reliant growth

The Commission stressed that the adaptation of modern technology and the indigenous development of products and processes suitable for indgenous resources were vital to self-reliant growth. The uncritical use of imported technologies, with high costs of know-how licensing and patents had raised the cost of development. Research undertaken in certain developing countries has already given indications that an 'intermediate technology' suited to their existing stage of development could emerge out of traditional and modern methods.

Several delegates expressed grave concern over the slowing down in the growth of industrialisation that had been caused mainly by sharp price increases and shortages in the supply of raw materials, diminishing availability of adequate foreign exchange and restrictions on the transfer of technology In the light of this situation, it was urged that there was a greater need to reinforce the efforts to share the existing technology in the region.

The resolution on the centre for agricultural machinery was sponsored by Japan, Philippines and Thailand. Under the provisions of this resolution, immediate measures are to be taken to establish an institution to be known as the Asian Coordination Centre for Agricultural Machinery (ACCAM). This is regarded as the first concrete step towards what may usher in an agricultural revolution in Asia and the Pacific.

necessary mechanization

Mechanization is often adopted in large agricultural operations, such as land reclamation, earth-moving and soil improvement. It is also found necessary in areas where expensive inputs can be used and multiple-cropping can be achieved. In these areas, it can even enlarge employment opportunities by increasing the intensity of farming through a package of equipment for ploughing, seed-bed preparation, disease control, harvesting, threshing and drying. It can also facilitate multiple cropping through cutting the time of operations.

With the spread of mechanization, there has to be provision for adequate servicing and spare parts facilities. This task will be simplified if equipment used is standardized and the number of models is reduced. Careful screening of imports, after pretesting of the models under local conditions, can also help. In developing ESCAP countries, much greater innovative design, adaptation and improvement of the existing types of equipment, machines and implements are necessary. The proposed centre is likely to prove useful in this direction too.

Another resolution regarding research and training was directed primarily towards the four institutes already affiliated to the ESCAP. Three of these are the Asian Institute for Economic Development and Planning (AIEDP), based in Bangkok, Thailand; Asian Statistical Institute (ASI), based in Tokyo, Japan; and Asian Centre for Development Administration (ACDA) based in Kuala Lumpur, Malaysia. The fourth is in the process of establishment, and is to be known as the Asian Centre for Training and Research in Social Welfare and Development, to be located in Manila.

The Asian Institute for Economic Development and Planning, Bangkok, was established in 1964 and is the oldest regional institute in Asia. With a life-span of 11 years, the Institute has trained participants from practically all member and associate member countries of ESCAP. Almost every yearly it has managed to organize a regular six-month course (progressively reduced to three months) on development planning, in addition to specialized courses of shorter duration. It has among its staff some of the most capable social scientists in the region. Over the years, the Institute has tried to adapt its training courses and programmes to changing needs and the present director intends to further strengthen his professional staff capacity gradually.

extensive consultations

The Commission expressed its satisfaction that the Asian Institute for Economic Development and Planning had undertaken extensive consultations with the governments and national and international institutions in developing its guidelines. Such consultations had laid bare some problems of importance to the developing countries which included income generation for the poorer sections of the people in the rural and urban areas, lessening of the inequalities in personal income distribution, the special handicaps of the least developed countries, including the land-locked countries and the smaller island countries, and the need to harmonize the development plans of groups of countries.

The Commission noted with appreciation the government of Thailand's offer to extend host facilities to the Institute on a permanent basis, and to provide a piece of land in Bangkok and contribute 20 per cent towards the cost of the building for the Institute. By a resolution it has been renamed as Asian Development Institute.

The Asian Statistical Institute, located in Tokyo, was established as a UNDP project in 1970 as a result of an agreement entered into between UNDP and the government of Japan. The functions of ASI include training for professional statisticians for government services within the area. Over the years, the Institute has organised a series of general courses of ten months' duration for participants from all over the ESCAP region. The duration of the course was proposed to be reduced to six months, partly because a ten-month course absorbed too much professional time. This step is likely to enable the faculty of the Institute to participate in more advanced courses and research activities. It was suggested that the Institute should lay more emphasis on training of trainers and preparation of training material so that member-countries could acquire the requisite expertise to organise their own individual training programmes.

Kuala Lumpur is the seat of the Asian Centre for Development Administration, (ACDA), which started in October, 1973. It is, perhaps, too early to assess its activities. Member governments are expecting ACDA to take the initiative in organising meaningful training programmes in different ways and at different levels. There may be senior-level or middle-level resident courses on specific problems of development administration or country courses on general or specific problem areas.

The Asian Centre for Training and Research in Social Welfare and Development is yet to be established. The resolution adopted at the 1974 session of ESCAP recommending the establishment of the Centre, expressed growing concern among member countries about the social consequences of development and the need for well-designed programmes of action. The centre is likely to evolve measures to assist the underprivileged and deprived groups to become more productive and self-reliant.

An important project which attracte
attention of the delegates at New Dell
session was the Asian Highway. The Com
mission reviewed the progress made o
the Asian Highway and appreciated th
approval by UNDP of phase II of th
project, which would last until the end
1975. This phase is expected to consol
date the work already completed and i
cludes the readjustment of alignment, dat
collection on roads, traffic and need fo
upgrading and improvement, and deter
mination of the Asian Highway standards
The Asian Highway guidebook regardin
the section between Vientiane and Singa
pore covering 3,000 kms., has been distr
buted on a world-wide basis and anothe
map of the highway from the Turkey-Ira
border to Pakistan-India border coverin
4,000 kms., is ready for circulation. It
hoped that every effort will be made
prepare similar maps for the rest of t
Asian Highway, such as the zone compr
ing Burma, India, Bangladesh a
Nepal.

There was consensus among the del
gations that the ESCAP was meeting a
crucial time in which prolonged wo
economic crisis as expressed in fo
shortage, sharp increase in oil prices a
wide fluctuation of raw material pri
have created enormous dislocations
most developing countries. There w
however, considerable determinat
among delegations to follow up w
action-oriented programmes on the urg
problems of food shortages, populat
industrial development, as well as e
nomic cooperation.

Eastern Economist 30 Years Ago

MAR. 23, 1945

Despite the laboured attempts by the Supply Department to prove to the world through subsidized and sponsored investigations that the war has accelerated Indian industrial development rapidly, the truth is slowly reaching the public that there has been very little progress. First, came the utterance of Dr John Matthai who pointed out that expansion took place only in a few existing industries which were working double and treble shifts and had exploited and used up their assets. Now comes the affirmation of Sir Jehangir Ghandy in respect of an important industry. Denying that the war had given a fillip to the iron and steel industry, Sir Jehangir said that, if the coal and transportation problems were normal and the
various dilatory government cntrols were
operation, both their production and profits
have been substantially higher than they were
This statement from one entitled to speak
full authority should dispel all illusions o
vast industrial expansion. No one argues
few industries have not expanded during the
But the contention has been that the exp
was largely confined to existing industries t
expansion was pitifully inadequate, that th
vernment woefully neglected and failed in
task of furthering war effort and, finally, t
steps were taken to establish new industri
type which would have served the countr
at war and later at peace.

WINDOW ON THE WORLD

Yugoslavia: pragmatism and progress

London

Jossleyn Hennessy

I

Socialism Exploits the Market Mechanism

President: Marshal Josip Tito

Population: 21 Million

Exchange Rate: £=40.29 New Dinars

YUGOSLAVIA HAS come an extraordinary distance since World War II — from a heavily damaged, underdeveloped peasant country to a rapidly industrialising nation with one of Europe's fastest growth rates. Through pregmatism and a willingness to experiment, Yogoslavia has evolved a balance between central authority and decentralised initiative that reflects its unique economic and social character.

For centuries Yogoslavia has served as a bridge between eastern and western civilisations, and its people consequently have diverse cultural and historical roots. Politically, it is a socialist country with a communist government, but it favours a non-aligned course in world affairs. The economy operates like a free enterprise system — but without capitalists. The workers "own" the means of production through institutions of self-management, but the government actively encourages private foreign investment in joint ventures.

The inflow of foreign investment will continue to grow steadily in the years ahead. Cooperation with foreign enterprises through capital investment and transter of technology will be important in the continuation of rapid economic growth. Provided that economic and political institutions go on evolving with the pragmatic flexibility that has prevailed for the past 25 years, Yugoslavia should continue to enjoy a steadily rising living standard in a uniquely structured economy. A major facet of the economy — workers self-management — will attract increasing study by other nations, as the issue of worker's participation receives greater attention throughout the world.

Yugoslavia was created as a nation in 1918 from parts of the Austro-Hungarian and Ottoman empires, along with Serbia which had already gained independence from Turkey. For centuries, the lands that are now Yugoslavia were dominated by foreign powers. This history has contributed to the nation's diversity, but it has at the same time strengthened national unity, for struggle against foreign domination has been the major force in modern Yugoslavia. During World War II, the forces under Marshal Tito succeeded in freeing the country from German occupation and thus created the foundation for their post-war political authority. The acceptance of the Yugoslav system by its people today derives in large part from the fact that national independence has been maintained.

Yugoslavia suffered massive property damage and population losses in World War II, and reconstruction was an urgent post-war necessity. The new leaders' socialist ideology favoured nationalisation, with close state control and supervision of economic development.

By 1948, state control of the economy —except agriculture — was complete. A Soviet-model plan of rapid industrialisation was launched, concentrated on heavy industry under highly centralised control. Every enterprise was assigned a production target and told where to buy its inputs and where to sell its output. In addition to its innate weaknesses, this system was at odds with the high priority given to unifying Yugoslavia's diverse peoples. The central planning directives conflicted with the constituent republics' desires to participate in decisions; yet attempts to allow for these desires within the central planning system led to bureaucratic sprawl and paralysis — and still left local initiative stifled.

A change began in 1950. Evolution of the economic system since then has sought to balance centralised control with decentralised initiative. An overall social plan specified broad guidelines and national goals, but vital decision-making is dispersed and the market mechanism is fostered. Within the guidelines, enterprises are free to decide quantity, quality and price, to choose suppliers and markets, to compete, and to fix policies on the distribution and reinvestment of net profits. Workers' self-management is central to this system of enterprise decision-making, and has proved one of this century's most interesting developments in labour relations.

II

Workers' Self-Management

Workers' self-management was instituted to counteract over-centralised bureaucratic socialism. Workers' councils, elected in every enterprise by secret ballot, are vested with the right to use the enterprise's fixed capital "on behalf of society". The directors and managing boards of firms, who supervise operations, are responsible to the workers' councils. The councils also control working conditions and decide how to allocate net profit. The councils' rights are narrower than those of private ownership, but extensive nonetheless. An enterprise, for instance, cannot sell its fixed capital to private persons, but it can and does plan how to expand its capital stock. And it can undertake to merge with another firm in the interests of efficiency.

All is not smooth sailing. Yugoslavia's system constantly faces the problem of balancing workers' control and participation with improved management. Similar problems exist throughout the industrialised world, but the need for good management is particularly critical in Yugoslavia because it is the key to badly needed productivity growth—and thus to achieving the much desired growth of output and of income per head.

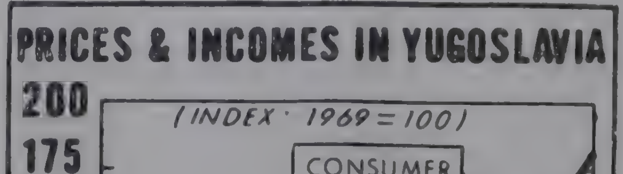
Workers' councils are expected to take account not only of their own workers' interests but also of society's, and conflicts do arise. Workers' self-management tends to maximise income per worker, by limiting investment out of retaining earnings or by limiting the number of workers. This puts the emphasis on short-run income rather than long-run growth and improved productivity. Management has nonetheless been able to increase investment because the supply of credit has been relatively elastic. But because the government has had only limited control over investment credit and over wages, chronic inflation has plagued Yugoslavia. Currently, a system of "social agreements" is being introduced in an attempt to create a viable income policy.

III

Economic Achievements

The self-management system has worked tolerably and has proved compatible with rapid economic progress. Over the past two decades, Yugoslavia's real growth has averaged seven per cent per year — one of the fastest rates in Europe — and real income per head has trebled. Primary emphasis has been on developing industry, notably chemicals, electrical goods, and petroleum. Agriculture's share of total output has dropped from 38 per cent in 1953 to 19 per cent, but non-agricultural jobs have not been created fast enough to absorb surplus rural labour, and agricultural productivity remains low. To ease the pressure of domestic unemployment, Yugoslavs have been allowed to work in western Europe. But this is only a temporary solution. The big problem, as yet unsolved, is how to provide enough jobs to employ surplus rural workers productively, and to lure expatriate Yugoslav workers home. Measures to improve agricultural output are also urgently needed.

Various reforms in the past decade have strengthened decentralisation and the market system — which the Yugoslav authorities consider necessary if self-management is to work. These reforms are slowly building up a more rational economic structure. Growth of output has become increasingly attuned to demand, both at home and abroad. However, inflation remains a problem, and the high priority given to rapid growth means that it will persist. Rapid inflation during past expansion periods has played havoc with the balance of payment and led to recurring devaluations and severe anti-inflationary measures.



However, provided that fiscal and monetary policies become more sophisticated and effective in controlling inflation, while letting market forces operate, continued rapid growth is probable. GNP in real terms may probably expand at an average six per cent per year during this decade.

Yugoslavia's fertile plains should support a growing and increasingly modern feed-livestock economy. But agricultural progress will be difficult in the less fertile regions, where there will continue to be a sizeable pool of surplus rural labour. Yugoslavia has a substantial resource base. Reserves of metal are large, hydro-electric power potential is second only to Norway's, timber is abundant, and coal reserves are greater than those of the seven bordering countries combined.

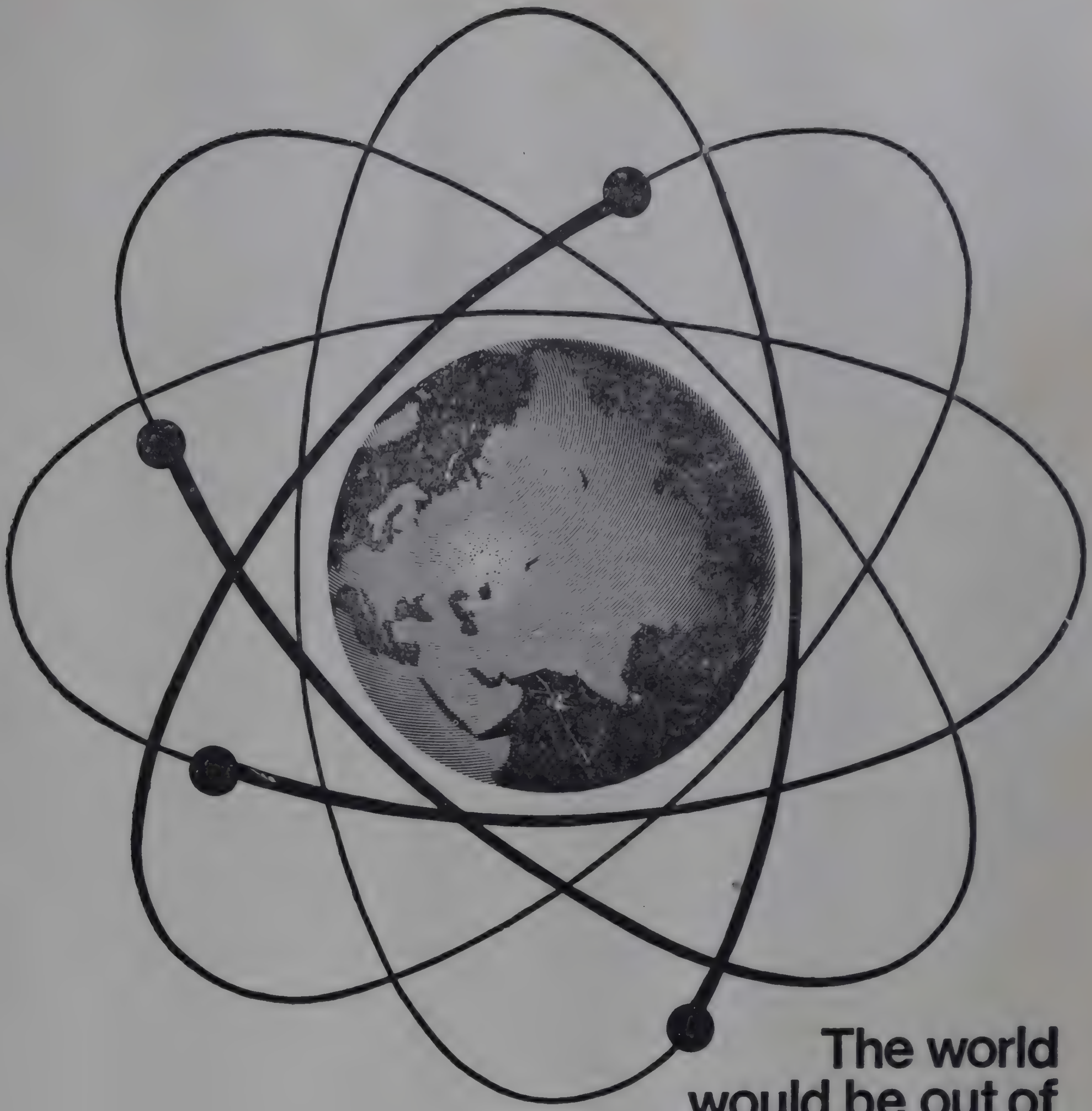
Yugoslavia will continue to need foreign capital for development, and joint ventures with western firms will be increasingly important. But the country intends to continue to seek non-alignment, and flows of capital from the World Bank, the oil-exporting countries, and the other socialist countries will become more important when in the past. The future viability of Yugoslavia's system will depend on both political and economic stability. If pragmatic evolution continues, the economic structure is certain to remain distinctly Yogoslav and not quite like any other country's.

The new constitution, now approved combines federalisation and decentralisation in the economic field. The President's aim has been to stabilise the long term future of the country by steering middle course between the conflictin pressures from the east and the west. Th has entailed the firm imposition of cor munist orthodoxy in domestic affair Economic policy in 1975 aims to cont nue along the generally expansionist lin in the last half of 1973. Particular atte tion will be paid to raw materials produ tion, fuel resources and agricultur Greater sensitivity to the developme needs of the regions has been shown i several ways. Differential rates of profi tax according to regions have been intro duced, republics that are rich in potentia energy resources are being encouraged t supply economically developed republic such as Slovenia and Croatia which lac them, and finally the development o tourist activity is to be shifted to th interior.

spectacular growth rate

The Economy : The overall rate of si per cent belies the more spectacula industrial growth rate which is currently rising by an annual rate of 11.6 per cent but is offset by a three per cent growth rate in the agricultural sector The best performances, comparing th first five months of 1974 with those of 1973, have been in intermediat goods (10.3 per cent), industrial consume goods (9.5 per cent) and equipment (7. per cent). However, such performance have often been maintained by industrie stockpiling and this is partly responsibl for the growing trade gap, because Yugo slavia is still consuming too large proportion of its own production. Th government's stabilisation programme aimed at the development of primary in dustries as part of an import substitutio policy, entails an increase in the produc tion of so-called strategic raw materials this Yogoslavia is well placed to do sinc it enjoys sizeable reserves of lead, zin copper and aluminium.

Despite a record wheat harvest 6,271,000 tonnes in 1974, agriculture still ailing in many ways. The growth ra for 1974 did not meet the 3.5 per ce annual average required by the curre five-year plan and the government is see ing long-term remedial measures to ove come this difficulty. This year, the ince tives under the Green Plan for the develo ment of agriculture from 1973 to 1975 a be used to encourage small and mediu fiarms to concentrate on intensive farmi while larger farms concentrate on bu crops and cattle breeding. The ne constitution promulgates a dual poli of stimulating the private sector, whi accounts for 85 per cent of Yugoslavi arable land to increase productivity wh emphasising the need for greater coope



INS401

The world would be out of its element if India had not generated atomic thought

Today the world is in its element as it finds itself in the atomic age. But the discoveries of modern times echo the atomic theories of ancient India—theories that were brilliant explanations of the physical structure of the universe. An atomic theory was taught by Pakudha Kātyāyana an older contemporary of Buddha. Indian atomic thought thus originated before Democritus the great Greek philosopher—one of the founders of the atomic theory. In physics and other spheres Indian talents have enriched the world. We at L&T continue the tradition by enriching life through industrial development. The source of our energy is the vast reservoir of technical know-how generated over 35 years. It has spurred us on to manufacture equipment for India's nuclear power projects. The reactor vessel, fabricated for the first time in India, is an example. In order to foster the growth of nuclear power, we have set up modern fabrication facilities; formed a specialist cell for handling design, fabrication, application of new techniques. We are a vast industrial complex designing, manufacturing, installing plant and equipment for every vital industry. The secret of our success lies in the individual talents of over 10,000 people in our associate and subsidiary companies and our network of offices all over India.

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tion between the private and socialist sector.

IV

Inflation

Persisting inflation is Yugoslavia's biggest headache. Prices at the end of June had risen 25.5 per cent over the past twelve months, ranging from seven per cent for food to 30 per cent for industrial products. This heavy inflation is partly due to trends in world markets amplified by previous under-investment in the primary sector resulting in the need to buy energy (at the estimated increase of $300 million in the oil bill), steel and agricultural goods at high prices on world markets. The workers have voted themselves large wage increases during recent months which have contributed to inflation but have left most workers no better off than they were eighteen months ago. Inflation has also created liquidity problems. The government's counter-inflation policy has tended to rely less on restrictive demand control and more on increasing the rate of economic growth which will have short term inflationary effects especially since the emphasis has shifted away from direct price control.

Energy : The petroleum crisis, which hit Yugoslavia sharply in its early stages, has become less serious. The Yogoslav market was well supplied with petroleum products during the summer, apparently from Libya, Algeria and Iraq. In fact, no significant price rises are foreseen in the near future and the Yugoslav authorities have expressed willingness to run down foreign exchange reserves standing at $1,249 million to pay the existing extra oil bill rather than restrict economic growth. However, the oil situation may prove disruptive to demand indirectly as it affects Yugoslavia's major trading partners; the OECD countries, for example, account for 50 per cent of Yugoslavia's import and export trade, of which 25 per cent is accounted for by West Germany and Italy alone.

The substantial energy shortages during 1974 were due to national grid problems and the need to achieve a geographical balance of supply. Capacity problems will, it is hoped, be solved in the medium and long-term by building new stations financed by foreign funds, which will increase capacity by 78,000 million kWh by 1980.

Foreign Trade : In October, 1974, Yugoslavia devalued the dinar by seven per cent largely in response to the 40,483 million dinars trade deficit for the first eight months of 1974, which is more than double that of the corresponding period in 1973. The root cause was that the prices of imports rose substantially more than those of exports, an imbalance which could not be offset by the rise in exports' volume. Foreign trade is also being limited by moves such as the Common Market's decision to restrict imports of beef. In August, Yugoslavia introduced several temporary measures to curb imports. Fiftyfive items, chiefly consumer goods, can be imported only with special permission. A deposit equal to five per cent of the value of the goods has also been introduced for all imports of consumer goods. A deposit of 30 per cent has been introduced for imports of equipment, though it was expected that purchases of equipment for the construction of power plants would be permitted without deposit. Further savings on imports should result from the longer term domestic production programmes which are being launched; for example, $70.1 million is to be invested in expanding output of cement with an estimated annual saving of $15 million in foreign exchange.

Exports totalled $2,852.6 million, while imports aggregated to $4,511.1 million in 1973. The table below shows the pattern of foreign trade in the first eight months of 1974:

Yugoslavia's Foreign Trade

	Export		Import	
	Million Dinars	% Total	Million Dinars	% Total
Asia	5,124	12.0	9.307	11.2
Africa	1,600	3.7	3.364	4.1
N. America	3,766	8.8	5.976	7.2
S. America	443	1.	2.436	2.9
Europe	31,724	74.3	60.362	72.6
Oceania	40	Neg.	1,735	2.0
Total	42,697		83.180	

Exports rose by 45 per cent, while imports were up by 78 per cent during the first eight months of 1974 compared with the corresponding period in the previous year. The products principally responsible for the increase in exports were processed goods, which accounted for 32 per cent of the country's total exports and rose by 67 per cent. Exports of chemical products rose even more steeply, by 107 per cent, but this sector accounts for only 10 per cent of the country's total exports. The steep increase in imports arose from raw materials, fuel and lubricants, which climbed 146 per cent and accounted for 26 per cent of the country's total imports. Imports of food, drink and tobacco rose by 109 per cent, but they account for only 11 per cent of the country's imports.

Yugoslavia's fear of a 25 per cent reduction on the $630 million earned from tourism in 1973 proved unfounded. Events in Cyprus and political uncertainty in Greece, an increase in late bookings due to bad weather in northern Eu and the fact that fuel problems were as serious as expected, relieved the si tion. In contrast with a drop of 22 cent in the number of visitors and a per cent reduction in the number of ni spent by tourists for the first five mo of 1974 compared with the same pe in 1973, capacity bookings were repo for October and November last. S tourism may have reached a plateau. Yugoslavs are turning their attention diversifying and consolidating the pres range of activities. There are programn to attract a wider variety of tourists well as to develop the off-season trade w conference and incentive travel. Th Yugoslav airlines are integrating in ho that the Yugoslav tourist industry will th depend less on foreign airlines for charte

foreign investment

Foreign investment in Yugosla has been hampered by institutio barriers. Only 17 per cent of the $ million invested in the form of joint v tures comes from foreign partners. Seve steps have been taken to remedy this si ation, and the UK investment in Yu slavia has recently become eligible insurance against non-commercial ri through the offices of the Export Cre Guarantee department. The level of p fits tax, in the case of joint ventures, reduced according to the amount invest For instance, if more than 50 per cen the total earnings are reinvested for m than ten years the tax goes down to per cent. The Yugoslav authorities c sider that the proportion of loan to eq in the financing of joint ventures is high, so they are likely to place an u limit on the amount of loan finance all ed in a venture and may abolish s facilities at present available for loans, s as the exemption from payment of d deposits which joint venture foreign l financing enjoys.

The nearest approach to convertib is the twice weekly meeting of the i bank foreign exchange market. S July, 1974, the dinar has floated the it remains subject to National Bank i vention. With 60 per cent of foreign t now liberalised, the inter-bank market significant step towards full convertib although it may be some time before is achieved.

Sources and acknowledgements: foregoing summarises reports issue the Chase Manhattan Bank (New Y 10015) in its *Business in Brief* an Barclays Bank Group International Lombard Street, London EC3P: 3A but neither bank is responsible for emphasis of my summary nor for interspersed comments based on variety of sources.

MOVING FINGER

Mrs Gandhi is at it gain. In an interview to an American ews agency she has reiterated her familiar ssertion that she is living in daily dread f assassination. It would be difficult to eny, of course, that, throughout history, rophets, priests or kings have always run he risk of violent death. For some of hem this risk has been more real than for thers but, even so, it is a statistical fact hat only very few public figures have had heir life-span fatally interfered with by ssassins, political or other. In other vords, while politicians, or public figures generally must reckon with something ike a professional hazard to their lives, his risk is still an easily and relatively nexpensively insurable one in the case of most of such personalities. I have no doubt at all that, so far as Mrs Gandhi herself is concerned, the Life Insurance Corporation of India will be only too ready to issue her cover against assassination for a nominal premium.

This is for the simple reason that, although lots and lots of people in this country do disagree with the prime minister's political attitudes or economic policies, they do not feel a sense of public outrage — let alone entertain a feeling of private resentment — so savage that they would want her killed. Those of us who may believe that this country could have been governed better or its economy managed more efficiently are also normally disposed to refrain from harbouring very high expectations of politicians. There is therefore no question of any great number of us suffering from homicidal tendencies born of a sense of betrayal where Mrs Gandhi is concerned. We are of course disappointed and sad that she has not been able to measure up to her responsibilities. But this only makes us regard her as a failure, in which case it is not anger that we may feel against her but pity. It is possible of course that the rampant corruption in politics and administration has aroused strong feelings in the community, but the sense of grievance that the public may have in a situation of this kind is not of a nature to arouse in individuals or conspiratorial groups murderous passions against a particular individual simply because he or she happens to be the head of the government.

Mrs. Gandhi's thesis no doubt is that there are in our country 'fascist' forces which, whether functioning with a certain amount of 'foreign' inspiration or influence, or not, may desire to get rid of her since, in her view, she and the party she leads have come to symbolize the philosophical goal or political system of democratic socialism. Now, this is a free country and nobody can stop the prime minister or anybody else from believing or even alleging that wicked men are out to get rid of her or her government by violent means.

It is, however, pertinent to ask whether the prime minister or any of her party men (who may be in the government or may not) has knowledge of conspiratorial men or groups at work in the manner alleged. If she or he has this information or even ground for suspicion, there is certainly enough scope in the extraordinary laws of the land to round up potential assassins or their organizations and put them behind bars even without having to bring them to trial before a court of law where hard proof will be demanded. Indeed it is possible that there are some individuals among hundreds of political detenus in the country who may have been put behind bars precisely because the government has reason to believe that they or their activities suggest violent intentions on their part. If this is so, then, Mrs Gandhi should at least be able to resist the temptation to reply to stock questions put to her by sensation-mongering foreign journalists with melodamatic affirmations of her life being in constant danger.

The Durga Ratan awards for excellence in journalism, although so recently instituted, are already in some danger of stultifying themselves as 'pats on the back', so to say, for professionally departing journalistic souls. Mr S. Mulgaokar, Editor-in-Chief of *Indian Express*, for instance, has been given one of the awards this time as "the columnist whos writings over the year marked him ou as the most outstanding analyst and commentator of the year." If the member of the advisory committee, which has recommended these awards, would really believe this citation, they should be capabl of believing anything. Mr Mulgaokar i an outstanding journalist, no doubt, bu virtually all of his brilliance as a columnist belongs clearly to the past. His bes years in this respect were those during which he wrote his column "Nationa Affairs" for *The Hindustan Times* of which he was the editor at the time. His "Editor' Notebook" in *Indian Express* of which he is now the Editor-in-Chief is not only not in that class but is not in any class at all.

Such of us as are aware of Mr Mulgaokar's performance as a columnist in his journalistic prime could of course rejoice in the notion that the award which has been given to him now is really in the nature of a salute to that past, but the citation itself must be dismissed as of no worth since it does not even seem to care to know what it is talking about. We have seen other honours, such as the Sangeet Natak Akademi awards, being given in many cases without any relevance to the current work or worth of the recipients. Is it to be assumed that bad practices must always prove infectious?

Incidentally, those who claim to be in the know say that Mr Mulgaokar is about to leave *Indian Express* for *The Statesman*. Both papers, it so happens, are having problems. In the case of *The Statesman* the problem is overdrafts and, in the case of *Indian Express*, it is falling circulation. Mr Ramnath Goenka, it is reported, has lately been applying his mind to perking up the reader-appeal of his newspapers. Mr Kuldip Nayar's recent installation in a senior editorial position on the staff of *Indian Express* is said to be a part of the Goenka prescription for face-lift to *Indian Express*. Mr Ajit Bhattacharjea, who cannot be fully employed as the editor of *Everyman's*, will probably take over from Mr Mulgaokar when the latter leaves for *The Statesman*. It is an interesting coincidence that three of the four national dailies — which are being published from New Delhi—I am having *The Hindustan Times* also in mind — must all be having domestic problems of one kind or the other at one and the, same time. Mr Inder Gujral, I suppose, is entitled to his satisfaction.

VB

BOOKS BRIEFLY

Reviewed by
Academicus

Human factor in entrepreneurship

Socio-Psychological Factors Influencing the Adoption of the Innovation of Starting Small Industry Unit—A Research Study : Small Industry Extension Training Institute, Hyderabad; Pp 109; Price Rs 10.

Economic Blocs and US Foreign Policy: Ernest H. Preeg; National Planning Association, Washington; Pp 202; Price $3.50.

Economic and Social Change in India: S.L.N. Simha; Institute for Financial Management and Research, Madras; Pp 159; Price Rs 35.

Evolution of Cooperative Thought: K.K. Saxena; Somaiya Publications Pvt Ltd; Pp 159; Price Rs 35.

Credit Planning and Policy: Edited by S.L.N. Simha and A. Raman; Institute for Financial Management and Research, Madras; Pp 199; Price Rs 30.

A Richer Harvest—New Horizons for Developing Countries: Sudhir Sen; Tata McGraw-Hill Publishing Co., New Delhi; Pp 573; Price Rs 51.

Socio-Psychological Factors Influencing the Adoption of the Innovation of Starting a small Industry Unit—A Research Study is an excellent analysis mainly concerned with some aspects of the human factor which influence the growth of small industry unit. This research study makes an attempt to analyse on the basis of empirical data collected during 1964-67 in Hyderabad and Secunderabad (i) the biological, economic and psychological background of the entrepreneurs, (ii) the influence of sociological and psychological factors, (iii) the encouraging and discouraging factors which have their impact on such entrepreneurs, (iv) the stages in the process of adoption of innovation in starting small industry units, and (v) the influences of environment as well as organisational assistance.

financial aid

While the government is forthcoming to give financial and other assistance to entrepreneurs interested in starting a small industry unit, no attempt has been made so far to find out who these entrepreneurs taking advantage of such assistance programme are and the various sociological and psychological factors considered as favourable and unfavourable for launching such small industry units. Since this study makes such an attempt, one would very much be interested in knowing some of the important findings of this study.

Sixty-one small units in Hyderabad and Secunderabad from among those registered with the Directorate of Industries, Andhra Pradesh were selected for this study. It was found that 41 per cent of the respondents had college degrees and 33 per cent had passed high school examination. It was seen that 61 per cent of the respondents had experience in industry, while another eight per cent were engaged in business dealing with items similar to what they manufactured later on in small industry units. Why did entrepreneurs enter this field? It appears that for most, economic gain was the most important reason for entering the small industry units; the second most important reason was ambition; the third and fourth reasons were social prestige and social responsibility, respectively. The study reveals that the level of education did not influence the respondents in their starting small industry units, nor did income of respondents had any influence in this regard. Similarly risk-taking ability does not seem to have influenced the respondents in their reasons for starting small industrial units; nor need for achievement had any influence on their decision.

demand factor

For all the 61 respondents taken together, high demand for product was seen to be the most encouraging factor in starting industrial units, the second most encouraging factor in this regard being 'experience in the line', followed by encouragement by friends and families, respectively. For all the 61 respondents taken together, capital shortage and governmental red-tape were seen as the most discouraging factors in starting their industrial units; the next two discouraging factors being non-availability of raw materials and scarcity of skilled labour

Six stages, namely awareness, interest, preparation, trial and evaluation were noticed to occur during the process of adoption. The survey found that all the 61 respondents did not pass through all the above stages nor was the sequence of the above six stages constant for all the respondents.

An interesting finding of this study is that "Younger age, formal education, urban background, experience in industry, level of aspiration and risk-taking were associated with the majority of respondents. "It is also interesting to note from this study that technical education, high monthly income, contacts with influentials etc. were not associated with the majority of the respondents.

service institutes

The study has revealed that 47 per cent of the respondents were already working in industries at the time of awareness; 33 per cent were engaged in commerce and 10 per cent employed in service, private and government. Majority of respondents seem to have received assistance of one sort or another from the office of the Directorate of Industries and the Small Industries Service Institute.

In India there has been a phenomena growth of the small-scale industry secto during the period of the five-year Plans From the negligible amount of financia allocation in the first five-year Plan, th public and private sector investment i the fourth five-year Plan for village an small industries went up to Rs 694 crore The importance of small industry secto assumes great significance when viewe from the point of provision of emplo ment, use of local resources, regional b lance and need of quick results by way production.

While socio-economic virtues of t small industry sector have been well r cognised, it appears that there is ne for a fuller knowledge of the problems growth of new small industry units n only in the economic sense but perha more importantly in the social and ps chological milieu which acquires treme dous importance. Small industry un do not just come into existence but th have to be brought into existence by so one. It is unfortunate that while all th ars the discussion and analysis of small lustry sector are being carried in terms of financial provisions, tarts and expenditures, no study was card on about the man who is expected to ter this field.

From where did the small-scale indusalist first get the idea of starting the pe of industrial unit that he now has? fter getting the idea, did he start the nit overnight? What role did governental and non-governmental agencies ay in the process of establishing the unit? nswers to these and similar questions e of great significance for individuals id organisations working to accelerate e development of small industry sector the country. As this study makes an tempt to answer some of the above estions, it is of great significance and ould help government and other orgasations working in this field in framing itable policies for the promotion and pid development of small-scale indusies in the country.

Economic Blocs

To a critical observer of the intertional scene, it would appear that the stwar international economic system ich provided the framework for an precedented quarter century of exnsion of world income andtrade appears be gradually crumbling. It is noticed at over the past several years, the innational monetary arrangements have en racked by successive crises culmiting in the abandonment of the Internanal Monetary Fund system. Also ding rules of GATT seem to be contially violated by various member-counes under one guise or another while protionist sentiment is gradually spreadg; and political-economic role of intertional investment has been provoking many controversies as there are sovegn states.

The Bretton Woods system was based three central concepts: universality here all the nations participate on the sis of equal treatment with essentially ntical and non-discriminatory obligans and privileges); minimum and ultitely no barriers to international flow goods and services;and third, currency nvertibility under normal conditions fixed exchange rates.

The current situation is trypified more the breach than by the observance of above Bretton Woods concepts. As the concept of universality, the comnist countries do not participate in the tem and developing countries are elile for preferential access to markets of veloped countries while themselves carrying out their GATT and IMF obligations in a very limited way as it suits the convenience of their national developmental strategies. The multilateral convertability/fixed exchange rate system long under duress practically ceased to exist so that by 1973 a *de facto* arrangement of 'managed floating rates' was generally in effect. The monetary breakdown stemmed from the lack of an adequate adjustment mechanism for both long-term or 'fundamental' disequilibrium and short-term cyclical disequilibrium complicated by the difficulty of distinguishing one from the other.

The author of *Economic Blocs and US Foreign Policy* is of the opinion that "the declining relevance of the Bretton Woods principles to the actual conduct of international economic relations had produced a dangerous void in conceptual thinking upon which to base national strategies for dealing with these matters' "The difficulties appear to be compounded by recent developments that seem to be changing the basic context of the international economy such as the external consequences of evolving domestic policies to achieve the optimum balance between inflation and resource utilisation, emergence of multinational enterprise, natural resource depletion, environmental controls and the apparent broadening of economic relations between centrally planned communist countries and market-oriented economies of the west. An economic system based on universal rules, never a reality, may in fact be highly unrealistic in a contemporary world of some 130 nations ranging in annual per capita income from $ 5,000 to $ 60. The author believes that, if not by choice, perhaps by necessity, the international economy may have to be based only in part on multilateral rules while the remainder is subject to more or less selective arrangements.

evolving system

The purpose of this study is to assess the evolving international economic system largely in terms of multilateral rules versus more limited economic arrangements among particular groups of countries. The author seeks an answer to the problem of finding the least common feasible denominator of multilateral foundation which ought to be supplemented by a more selective superstructure of rules applicable to many of the developing countries.

The author has analysed the various aspects of the dominant international economic relationship at the present time and the elements of possible economic policy framework for the coming decade (again with the primary emphasis on the significance of multilateral versus more limited geographical groupings of countries). The auhor concludes with a brief prognostication of the most likely course of the world economy through the mid-1980s.

The author has arrived at the following conclusions regarding the possible future trends.

According to the author, there is tripolar drift in economic relations among the advanced industrialised countries with a high and growing interdependence within western Europe and between the USA and Canada, compared with a much lower relative degree of economic interdependence among the three centres of western Europe, North America and Japan.

policy implications

The policy implications of the above trend towards economic tripolarization is for a more closely knit and specified policy framework within Europe and between the two North American industrialised countries and a more loosely defined relationship among the three centres. At present, the most important area of policy in this respect is the balance-of-payments adjustment process which includes more than exchange-rate policy, extending to the degree of coordination of internal policies and possible spillover to certain related trade and investment policies as well.

According to the author, the polarizing effect of the three industrialised centres on other countries is less clear, and will depend in large part on the policies pursued by the industrialised countries. Many important areas from south Asia, Australia to Indonesia, most of Latin America and Africa are not overwhelmingly linked to any major economic power; nor need they be, if the industrialised countries follow appropriate policies.

The international economic system, according to the author, that will evolve over the coming decade will probably have far less emphasis on specific legalistic rules and commitments and more emphasis on practical arrangements and procedures for ensuring a continued open and cooperative world trade and monetary system. As regards broader aspects of foreign policy, the author opines that a more flexible economic system of this kind should facilitate an economic rapprochement between east and west as well as improved relations between developed and developing countries.

This is an excellent study which gives

readers a peep into the future in the fields of international trade and currency arrangements. The nations of the world are entering a period of major negotiations for reforms in the fields of international trade and monetary and other economic relationships that will require several years to complete. It is necessary, as the author has pointed out, that "during these years of important negotiations, a variety of studies be made that can improve knowledge about the basic economic trends and their interrelationships and deepen understanding of the implications of these actual and prospective developments for the nations whose policy choices play significant roles in determining the system's future benefits and costs." This study by Ernest H. Preeg definitely makes a substantial contribution towards meeting that need.

Social Change

Economic and Social Change in India is a commemorative volume published on the occasion of the silver jubilee of India's republican constitution. It attempts to portray the various economic and social changes which have taken place in the country since independence or rather since the adoption of the republican constitution by India. Quarter century in the history of a nation is a convenient watershed where one can stop and look back to see whether the country is moving in the right direction and at appropriate pace. Very often claim is made that a traditional Indian society is being rapidly transformed into a modern society with its new scale of values and modes of living and thinking. It is certainly worth critically examining the pace and direction of change taking place in the Indian subcontinent since independence.

Vast and significant developments have taken place on the international scene since India became independent. The explosion of the hydrogen bomb, the landing of man on the moon, the growing detente between USSR and the USA, the assassination of Kennedy and resignation of Nixon, devaluation of the US dollar, sharp rise in the price of gold, fourfold increase in the price of crude oil, the birth of international money in the form of special drawing rights, wars between India and China and India and Pakistan, splitting of the Indian National Congress, the ascendancy of the linguistic states and birth of Bangladesh — have been some of the most significant developments in India and abroad. Further, while the world economy has recorded a substantial expansion during the last 25 years, the economies of developing countries have not performed so well as developed countries with the result that the yawning gap between the two has been widening. It is also noticed that there has been, according to the author, "a very marked falling off in standards of public and private conduct. Every society is becoming more and more permissive. What is noticed is that while the developed countries are looking for philosophical and spiritual panacea for social and economic ills, developing countries are moving away in several cases from their traditional values and ways of life and are rapidly imitating the western pattern of life. Everywhere cultures seem to be rapidly undergoing transformation."

During these 25 years, the Indian scene has also undergone tremendous economic and social changes. Though in relative terms, one may be dissatisfied about India's economic growth, the author is of the opinion that in absolute terms, the picture of India's economc development looks much better, though because of continued high growth of population, the average standard of living has not gone up to any perceptible extent. During the last 25 years, the developments in the sphere of manufacturing are certainly remarkable; but what according to the author is more significant is the change in the attitude of people which is truly revolutionary.

urge for improvement

Instead of resigning one-self to one's fate, there is a marked desire on the part of people to improve standards of living. Also growth in industrial entrepreneurship both in the private as also public sector is truly remarkable. The way in which ministers and civil servants have acquired expertise in intricate technical, managerial and financial matters is truly astonishing. Though jubilation over the green revolution might be premature, the fact remains that the phenomenon of green revolution has at any rate shown the way of winning the fateful race between food and population.

Since independence some tremendous changes in the social sphere have also taken place in India. According to the author, these social changes may be seen broadly in every aspect of our daily living — food, dress, social habits, travel, education and employment.

And yet according to the author, the pace of modernisation is still very slow and a massive effort on the part of the country will be required to successfully tackle the country's numerous economic and social problems. Otherwise it will be impossible to cross the poverty line. The author has warned that a lead must come from our ministers and politicians assisted by civil servants. Also our intellectuals have an important role and duty to perform in mobilising public support "for a course of action that wou lead the country surely and swiftly to t path of economic prosperity and soci justice."

The author has given in this book mere objective and factual account of t changes which have been taking pla in India since independence, rather t republican constitution was adopted. U fortunately the author has concentrat his attention only on the quantitative a pect of these changes. He does not pr pose to sit in judgment on the quality changes in various fields that have be taking place, and it is this qualitative a pect that is worrying our social and poli cal reformers. For example, how firm have we laid the foundations of our dem cratic regime aiming at socialistic patte of society? Many would think that have only adopted the facade and trap ings of democracy while the content mostly lacking. And what about t massive corruption that has been eati into the very vitals of our society? Wh about the quality of our leadership? H many are there merely because of th caste? What about the increasing c ruptive tendencies that are being stre thened since independence? What ab the student world? Does the pres generation of the students inspire co dence in the future of our country? St dards have been falling everywhere a moral deterioration especially among leaders seems to have brought the coun to the brink of ruination. It is not much the speed with which we are go that matters as the direction and theref when we take a critical look at the chan that have been taking place in India, w out distracting from the achieveme one is likely to feel extremely apprehen about the shape of things to come. Ab all this the author unfortunately has s very little or nothing, which fact co derably reduces the value of the bo for a serious student of Indian affai

Scissors and Paste

Evolution of Cooperative Though based on the adaptation from the auth thesis on the same subject for the aw of the D. Litt. degree in commerce of Lucknow university.

The author has made an attemp this book to trace the evolution of operative thought, beginning with origin of cooperative thought which g much beyond the name of Rochdale. author has made an attempt to trace role of early cooperators and social formers who propagated coopera thought. We meet here the figures Robert Owen, Mudie, Combe, Tho son, Dr. William King, Charles Fou Louis Blanc, Saint-Simon and Cuc of course Schulze and Raiffeisen a host of other cooperators who have r centuries contributed to the develop- nt of theory and practice of coopera- n.

The author has pointed out that at one ie it was felt that religious and political utrality should be the aim and avowed inciple of cooperation. But today it is und that cooperation cannot keep itself oof from political thinking and at times operators owe a duty to give shape to e national policies and political ideas the governments of various countries. nder the new circumstances therefore a esh look at the development of cooper- ive thought becomes necessary.

ot yet arrived

The author is of the opinion that "the ge of cooperation has not yet arrived. ooperation, it may be said, as yet is not the 'take-off' stage. "This follows from e fact that as yet cooperative system has ot been in a position to evolve uniform inciples. As soon as permanent values e developed, the cooperation, according the author, will be able to proclaim ith confidence the era of cooperation.

According to Dr Saxena, the future co- perators will face the problem of mutual nter-relationships amongst them. The condary organisations of cooperatives ariously termed as unions, federations nd central associations have to continue play their role in building up coopera- ve economy. The secondary organisations hould not halt at the national level; ey should go beyond national business. Jnless international cooperation among ooperatives grows and many more insti- utions like the Scandinavian Wholesale ociety, the International Cooperative etroleum Association, Scottish Coopera- ive Wholesale Society etc., come into xistence, "the dawn of the age of Co- peration will simply be delayed."

The idea of 'Cooperative Economy', ccording to the author, has to be pur- ued more vigorously. It would necessi- ate not only greater loyalty and devotion mong members, but closer and more ac- ive liaison between different types of ooperatives at different levels. The au- hor has predicted that cooperation is 'destined to play a decisive and effective ole in the world economy of tomor- ow."

The tendency among cooperators is to aise cooperation to the status of a reli- ion and invest the movement not only with business considerations but with igh degree of moral overtones. Once this s done and cooperation ceases to be just one of the forms of business organisation suitable to only certain activities and succeeding only under certain conditions, the tendency develops among cooperators to shut eyes to all the evils that may and do erode the cooperative movement. This is evident from the fact that the cooperative movement in India has been exhibiting all the defects of capitalism and socialism without their redeeming virtues as is convincingly illustrated by cooperative sugar factories in Maharashtra. Cooperative movement in India has developed as many vested interests as the capitalist sector in the country and is equally exploitative. All this can be remedied and cooperation can be made to play its due role if cooperation is considered as just one of the forms of business organisation and put in its proper place. Cooperators must stop spelling cooperation with capital 'C'.

Dr Saxena's style is exasperating. The book is mainly made up of strings of quotings from scores of authors on the subject joined by conjunctive clauses. This makes the reading of the book utterly incoherent and unintelligible. The reader hardly gets a comprehensive picture of the cooperative thought and movement. It is not said in vain that majority of doctoral theses of the Indian scholars is mainly a matter of scissors and paste.

Credit Planning

A few years ago one hardly heard of 'credit planning'; today one wonders whether physical planning can ever succeed without credit planning. Of course planners have learnt this by experience. But unfortunately one hardly comes across any worthwhile book or treatise on the principles and policy of credit planning. It was therefore a matter of pleasure when one read the title of credit planning and policy on a book appropriately published by the Institute for Financial Management and Research of Madras.

Credit Planning and Policy contains a set of 12 articles and a postscript and in this brief review attention can be drawn only to the important features in some of the articles.

A. Raman maintains that there are macro and micro aspects of credit planning. The macro aspect has to take into account the overall volume of credit expansion to meet the requirements of the economy. Credit planning in the macro sense would involve the preparation of a monetary budget which should indicate the likely tolerable order of increase in money supply in relation to likely increase in real output. According to the author, with the preparation of monetary budget and the size of the credit expansion of the commercial sector broadly determined, the responsibility of further allocation of credit among various competing sectors shifts to individual banks. This involves at an individual bank's level the preparation of credit budget. Credit deployment among various sectors has to be determined in the light of the real resource position. According to the author, the credit authorisation scheme of the Reserve Bank of India should be viewed from this point of view. Against this theoretical background of credit planning and its necessity, A. Raman has also analysed in detail the recent credit policy of the Reserve Bank of India and has shown how the Reserve Bank is taking steps to meet credit needs of some of the important sectors such as production and movement of goods and exports.

selective controls

H.B. Shivamaggi has analysed in detail selective credit controls of the Reservice Bank of India. He has shown the steps which the Reserve Bank has been taking to provide production incentives, encouragement to industries, small loans, loans for procurement and distribution, concessions to backward areas, export incentives, and assistance to industries in rural and backward areas. The author has explained very clearly how selective credit controls can be used effectively as weapons or tools of credit planning.

The credit authorisation scheme of the Reserve Bank of India forms or should form an integral part of credit planning and from that point of view A.K. Buchar's article on 'Credit Authorisation Scheme' is worth reading. The fund of technical details provided by the author gives readers a very clear understanding of the scheme.

The credit guarantee scheme of the Reserve Bank of India as also financing of agriculture by commercial banks by R. Vijayaraghavan and P.K. Khanna respectively make extremely instructive reading. The analysis of the various problems faced by commercial banks while providing finance to agriculture brings out the enormity of the problems as also various complexities involved.

There is no doubt that since its establishment in 1935, the Reserve Bank of India has made great advance in controlling the quantity and use of credit for which it has evolved or adopted various weapons which it has learnt to use more and more efficiently with the lapse of time and acquisition of experience. Various articles in this volume deal with this regulatory mechanism of the Reserve Bank of

India. But does this amount to credit planning? Credit planning is something that goes beyond mere credit regulation both in its quantitative as well as qualitative aspects. Nowhere in the book do we get an explanation of the concept of credit planning and its underlying principles which one is left to infer from what the Reserve Bank of India has been doing. While therefore readers learn a great deal that is really useful about the various operations of the Reserve Bank of India and the way it is regulating and making more effective use of credit, it cannot be said that they get a clear and comprehensive idea about credit planning.

Weakness of Development Programmes

Sudhir Sen has been busy for decades studying and thinking about "what has long been and remains more than ever before the world's number one problem —the problem of poverty."

A Richer Harvest — New Horizons for Developing Countries has been planned as a trilogy. In the first part the author begins with a critical analysis of the kind of job the United Nations placed between the aid-givers and aid-receivers, has been doing as aid-administering agency. The author out of his experience with the United Nations development programmes, has rightly come to the conclusion that "The besetting weaknesses of its programmes are three: they are not production-oriented; they are indifferent to, if not callous about, priorities; they show no understanding of the principle of complementaries." The author is convinced that the failure of the United Nations to grasp this leadership firmly and imaginatively has deprived it of what could have been powerful instrument to strengthen its own foundations, to build up its moral prestige and thereby to improve its prospects of tackling some of the more intractable political problems," despite the rift of ideologies and the chill of cold war."

The second part of the trilogy looks at the problem from the point of view of the aid-receiving countries. The author has examined the question of how to plan and implement high-quality country-programmes to secure the best possible use of both domestic and external resources, and thereby to make the maximum possible contribution to raise the living standard of the vast masses of people.

In this connection Sudhir Sen has emphasised that a well-conceived country-programme must have agriculture as its hard core. The author is of the opinion that accelerating green revolution, provided its benefits are widely diffused, can help dampen population growth far beyond what even the best family planning programme can by itself achieve in a developing country. The author has examined how to make the green revolution a success. The development planning naturally must concern itself mainly with this question, for if the green revolution succeeds, a great many other things will automatically fall into their proper places and will lift the entire economy to a higher level of development. "If it fails, it will not only drag down everything else, but will put the nation's very existence into jeopardy. The reward of success is extraordinarily high; so is also the penalty of failure."

The author naturally has devoted much of his attention to India where problems of poverty are vast, complex and acute and "where awesome drama of food-and-population race has entered the climacteric phase." If the problem of poverty can be solved in India, as the author believes it can be, it can certainly be solved in most other countries of the world within reasonable time. India can serve as a model to these countries.

right technology

The third part of the trilogy has considered certain aspects of the relations between the rich and poor nations as also between the rich and the poor within a developing country. The author has emphasised that development economics must centre primarily on the development of physical resources, especially land and water. In doing so it must choose the right kind of technology to suit each specific situation. In most cases it must concentrate heavily on the production of food. It must give high priority to the development of suitably located market-towns to serve as nuclei for urbanisation and with network of all-weather rural roads linking farmers to markets. It must provide for massive expansion of production credit—'green revolution credit' — to finance the production and marketing of new varieties, along with the supporting services and facilities. It must come to grips with the long-slighted problems of land reforms" to free agriculture from the stranglehold of feudalism, which in most developing countries has outlived colonialism. "And it must lay emphasis more than hitherto on development-oriented education and health-cum-family planning as indispenable tools of both economic progress and social welfare.

Economic development so far in poor countries has been heart-breakingly slow for which the blame must go to all—planners and economists, aid-givers and aid-administrators. However, the author is extremely optimistic that the development of poor countries can be easily speeded up here and now and with resources they have at their disposal. According to the author, "The biggest push in that direction will come when agriculture based on high-yielding varieties of crops is combined with high-yielding economics based above all on resource development with intelligent use of the miracles of science our age has been saturated with." When this happens, the poor nations will begin to stride swiftly the route from age-old poverty to the age of plenty.

A Richer Harvest is truly a remarkable book, easily one of the best on the problem of agriculture and poverty in India. What is especially notable is that unlike most other books on poverty which are filled with innumerable statistical tables technical jargon and heavy footnotes this book is written in a manner that would satisfy at once both the layman and the sophisticated. The arguments in this book are so persuasive that one begins to wonder how our planners never though of these approaches before so much so that one often begins to wonder whethe the planning commission was filled with ignoramuses all these years. And what is possibly the most remarkable thing abou the book is that it succeeds in creating hope in the minds of readers that all is not ye lost and removal of poverty and progres is just round the corner, provided we have the wisdom and will to pursue the righ path, instead of getting enmeshed in sterile ideological controversies.

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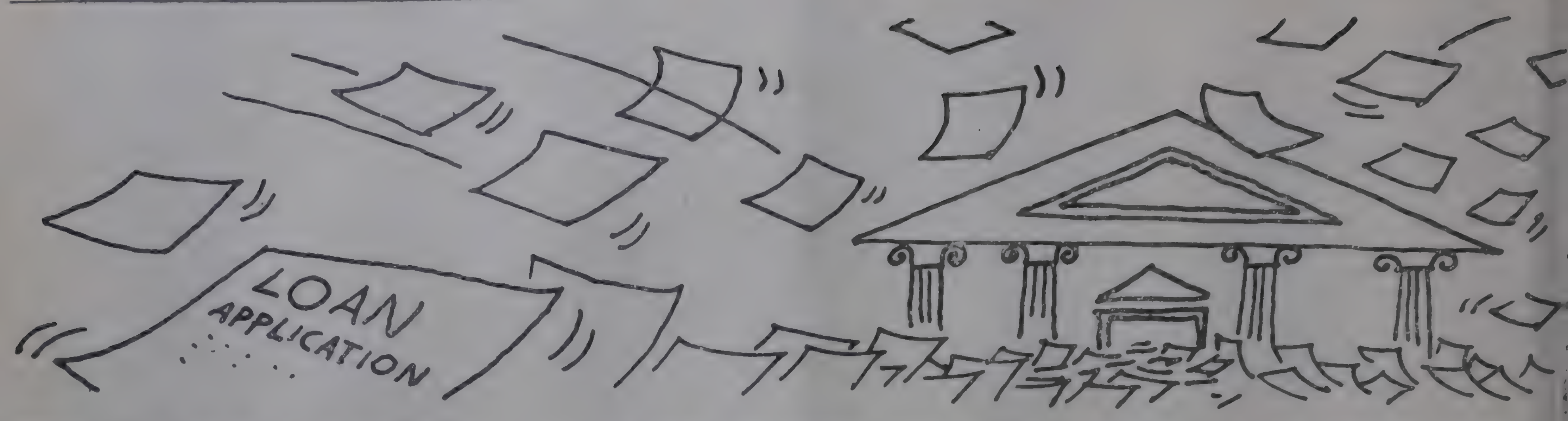

PRIVATE SECTOR BANKS

A dynamic force in nation's banking

WITH THE nationalisation of the 14 major commercial banks on July 17, 1969, the share of the private sector banks in the banking activities of our country became very small. The banks which were not taken over by the state were of three categories: (a) scheduled commercial banks with deposits less than Rs 50 crores each; (b) non-scheduled banks; and (c) foreign banks operating in India. The foreign banks stood in a class apart as they were not taken over primarily because it was feared that it might have an unfavourable impact on the country's foreign trade. The other two categories together accounted for an extremely small fraction of the total banking operations in the country and were left out because their sphere of activities was, relatively speaking, too small to be of any significance.

However, during the last five years, some of these private sector scheduled banks have given a good account of themselves. Their rapid expansion has demonstrated that banking is first and foremost a service and the client would patronise a bank irrespective of the fact whether it was run by the state or the private sector provided he got efficient service. Six of these banks at the end of 1974 had deposits exceeding Rs 50 crores each.

In 1969, all banks having deposits of more than Rs 50 croses were taken over by the government. Currently the government had no intention, as stated by the union Finance minister, Mr C. Subramaniam, in the Rajya Sabha on February 25, 1975, of nationalising either Indian or foreign banks whose deposits had crossed the Rs 50-crore mark.

Mr Subramaniam listed the banks whose deposits on the last Friday of December, 1974, were more than Rs 50 crores each. They were : (1) Andhra Bank; (2) The New Bank of India; (3) The Vijay Bank; (4) The Punjab and Sind Bank; (5) The Oriental Bank; and (6) Corporation Bank Ltd.

The reason advanced by Mr C. Subramaniam for not nationalising the private sector commercial banks was that the Reserve Bank through its extensive powers could closely watch and supervise their functioning. He also said that the nature and the extent of control over the private banking corporations was a matter which was constantly reviewed.

With 84 per cent of the deposits with the nationalised banks, the share of the private sector banks including those in the foreign sector was no more than 16 per cent. Even then, it was a fact that these private sector commercial banks were being patronised by the clients because of the quality of service which they received from them. This was also a rather sad commentary on the working of the nationalised banks where salaries of the employees had increased sharply but service to the clients had deteriorated almost in inverse proportion to the salaries and the allowances drawn by the bank employees.

It was no secret that the

TABLE I

Purpose-wise distribution of developmental loans of the public and private sector banks

(Amount in lakhs of rupes)

Purpose	Public sector banks		Private sector banks	
	Amount outstanding	Percentage to total	Amount outstanding	Percentage to total
Minor irrigation	8674.37	53.8	181.70	12.8
Tractors and agricultural implements and machinery.	4466.98	27.8	480.75	33.9
Reclamation and land development schemes	750.14	4.7	173.00	12.2
Plantations	1076.63	6.7	405.22	28.6
Others	1131.24	7.0	177.85	12.5
Total :	16099.36	100.0	1418.52	100.0

Source : Reserve Bank of India Bulletin, August 1974, Page 1431.

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decision to nationalise 14 major banks in 1969 was taken for political considerations though the economic rationale, however unconvincing, for this step was also presented later on. Mr C. Subramaniam, the union Finance minister, justified the decision to encourage the private sector in banking in these words: "India is experimenting with mixed economy. So long as this policy remains there is no need to nationalise the remaining banks. Moreover this practice promotes healthy competition and banks in both sectors are vying with one another to provide the best possible service to the people." Surely, the private sector banks have scored over the nationalised banks in service to the clients. They are likely to march ahead at a brisk pace in the coming years and it would not be a surprise if a couple of them scored over some of the nationalised banks in the next five years.

Faster increase

Strangely enough the rate of increase in deposits of scheduled commercial banks in the private sector was much faster than was the case with banks of all the other categories. Between July 18, 1969, and June 30, 1974, the deposits of the State Bank Group rose by 139 per cent while those of the nationalised banks rose by 126 per cent; the private sector commercial banks increased their deposits by as much as 235 per cent. This in itself was proof positive of the dynamic character of the operations in the private sector banks. Many of the efficient bankers left the public sector banks to take up challenging tasks in the private sector banks; also they found that these banks had, after takeover by the state, lost their ability to respond promptly to the needs of the clients. Even though they were given only marginal facilities such as the slightly increased rates of interest to be offered for deposits, yet they had been able to attract increased percentages of deposits through personalised, aggressive salesmenship.

All these banks were governed by the central banking authority and were required to fall in line with the policies chalked out for the banking sector. For example, in recent years all banks whether in the public sector or the private sector were asked to accord topmost priority in the matter of advances to agriculture, exports, small-scale industries and the self-employed. The Reserve Bank of India in one of its recent studies has analysed the development loans provided by both the public and the private sector banks for agriculture. As Table I, (p. 696) shows, the private sector banks have participated in all major agricultural activities such as minor irrigation, tractors and agricultural implements and machinery, reclamation and land development schemes and plantations. The states where the private sector banks have given the largest assistance for agricultural purposes are Tamil Nadu, Andhra Pradesh, Karnataka, Punjab and Uttar Pradesh. Bulk of this assistance h been given to agricultural hol ings below 10 acres (Table I below). While nearly one-half c the loans of the private secto have been made to agricultura holdings below 2,5 acres, th public sector banks have pro vided only one-fourth of thei short-term loans to holding of less than 2.5 acres. In othe words, the private sector bank have tended to assist the smal

TABLE III

Profits of Scheduled Commercial Banks

(Bank group wise)

(Rs crores

		1970	1971	197
1,	State Bank of India	2.70	3.78 (40.0)	3.85 (1.9)
2.	Subsidiaries of the SBI	0.53	0.51 (—3.8)	0.51 (—)
	Total of 1 and 2	3.23	4.29 (32.8)	4.36 (1.6)
3.	14 Nationalised banks	6.90	8.46 (32.6)	7.58 (—10.4)
4.	Other Indian Scheduled Commercial Banks	1.14	1.67 (46.5)	1.37 (—18.0)
5.	Foreign Banks	2.63	2.78 (5.7)	3.90 (40.3)
	Total :	13.90	17.20 (23.7)	17.21 (0.06)

Note : Figures in brackets denote percentage variations over the previous year.

Source: Reserve Bank of India Bulletin, January 1974, Page 131.

TABLE II

Short-term Loans of the Public and Private Sector Banks Classified According to Size of Holdings

(Rs lakhs)

Size of holdings	Public sector banks		Private sector banks		Total	
	No. of Accounts	Amount outstanding	No. of Accounts	Amount outstanding	No. of Accounts	Amount outstanding
Up to 2.5 acres	254115 (45.0)	1885.67 (24.0)	175273 (75.3)	790.69 (49.0)	429388 (53.9)	2646.36 (28.3)
Above 2.5 acres up to 5 acres	135445 (24.0)	1605.00 (20.70)	29380 (12.6)	223.17 (13.8)	164825 (20.7)	1828.17 (19.6)
Above 5 acres up to 10 acres	91458 (16.2)	1614.94 (20.9)	17824 (7.7)	205.30 (12.7)	109282 (13.7)	1820.24 (19.5)
Above 10 acres	83278 (14.8)	2656.65 (34.4)	10270 (4.4)	395.71 (24.5)	93548 (11.7)	3052.36 (32.6)
Total :	564296 (100.0)	7732.26 (100.0)	232747 (100.0)	1614.87 (100.0)	797043 (100.0)	9347.13 (100.0)

Source : Reserve Bank of India Bulletin, August 1974, Page 1430.

ler farmer more—in percentage terms—than has been the case with the public sector banks.

While the deposits of the private sector banks have raced ahead at a faster speed than that of the public sector banks, they have not tended to increase their profits at the same pace. This may be due to the developmental expenditure involved which is bound to increase when the branches are opened in unbanked areas. From 1970 to 1972, the yearly profit ruled between Rs 1.14 crores and Rs 1.67 crores (Table IV).

The figures regarding the working of the banks both in the public and the private sectors for 1974 are indeed revealing. Separate data in regard to both the categories of banks are not available at the time of writing but there is a clear indication that 1974 was a year when most of the banks in the public sector were not able to maintain the rate of growth in their deposits which had been seen in the earlier four years. On the other hand, the year 1974 turned out to be a much better one for the private sector banks which continued to scale new heights in regard to mobilisation of deposits.

TABLE IV

Income, Expenditure and profits of 39 other Indian Scheduled Commercial Banks (Rs lakhs)

	1970	1971	1972	Variation during			
				1971 over 1970		1972 over 1971	
				Amount	per cent change	Amount	percent change
Income							
1. Interest and Discount	28,15	37,11	48,35	+ 8,96	+31.8	+11,24	+30.3
2. Commision, Exchange and Brokerage	3,12	3,83	4,86	+ 71	+22.8	+ 1,03	+26.9
3. Other Earnings	1,60	1,83	2,24	+ 23	+14.4	+ 41	+22.4
Total (1+2+3)	32,87	42,77	55,45	+ 9,90	+30.1	+12,68	+29.6
Expenditure							
4. Interest paid on Deposits, etc.	16,01	20,94	28,14	+ 4,93	+30.8	+ 7,20	+34,3
5. Salaries, Allowances and Provident Fund	11,72	14,78	18,92	+ 3,06	+26.1	+ 4,14	+28.0
6. Other Expenditure	4,00	5,38	7,02	+ 1,38	+34.5	+ 1,64	+30.4
Total (4+5+6)	31,73	41,10	54,08	+ 9,37	+29.5	+12,98	+31.6
7. Balance of Profit	1,14	1,67	1,37	+53	+46.5	—30	—18.0

Source : Reserve Bank of India Bulletin, January 1974, Page 135.

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WITH THE expansion of banking activities in our country, foreign banks had also gained in stature. This was evident from the rate of growth in deposits. In 1960-61, the 15 foreign banks in this country had total deposits of the order of Rs 217.85 crores; by 1970-71, they had more than doubled to Rs 552.07 crores. In the last week of October 1974, the deposits (time+demand) had risen to Rs 810.73 crores though the number of banks had fallen to 13 only. But the total deposits of all scheduled commercial banks in this country in the last week of October 1974 were as high as Rs 10,395.50 crores. The foreign banks' deposits thus were a little less than eight per cent of the total deposits.

RBI supervision

Like all other scheduled banks, their working operations were also governed by the Reserve Bank of India. It means that they had also to fulfil the minimum conditions laid down by the central banking authority. For example, the investments in government securities as a percentage of aggregate deposits in the case of foreign banks at 2.49 per cent (on October 25, 1974) was higher than the corresponding percentage at 3.70 for all scheduled commercial banks taken together. Similarly, the bank credit as a percentage of total deposits was higher in the case of foreign banks than was the case with all commercial banks 77.23 per cent for foreign banks as against 68.10 per cent for all commercial banks), Herein lay the speciality of the foreign banks. Included in bank credit were "bills purchased and discounted both within the country and abroad". In relation to aggregate deposits, the business relating to the purchasing and discounting of foreign bills for foreign banks was higher than that of all commercial banks. While the deposits of foreign banks constituted one-thirteenth of all the commercial banks, the foreign bills discounted were one-third of the total. It was because of this predominant factor that the foreign banks had not been nationalised five years ago. The government of India genuinely believed that such a measure would have an evil effect on the foreign bill market which, in turn, would hurt foreign trade.

Slower growth

That the rate of growth in deposits of foreign banks was slower than that of both the nationalised and non-nationalised banks was a well-known fact. The reason for this lay in the fact that foreign banks were not as a rule permitted to open new branches in areas which could be very well served by Indian banks. This was indeed understandable. Hence the growth in deposits in the case of foreign banks became a function of the work-load which the existing branches could sustain.

An interesting element in the working results of foreign banks was that due to their ability to offer highly efficient and personalised service, they were able to show handsome profits every year. For example, profits of foreign banks in 1972 at Rs 3.90 crores were a shade better than the profits of the State Bank of India even though the disposits of the foreign banks were less than half of that of the State Bank. This in itself was a measure of the improved performance of foreign banks.

Some of the foreign banks had in recent years shown quite a vigorous rate of growth in their operations. Some of them had even taken upon themselves the responsibility of advising foreign clients in regard to possibilities of investments in our country. Their popularity was on the increase also because of these specialised services which they were able to offer.

Merchant banking

Some of the foreign banks are building for themselves a leading position in merchant banking in this country. They are also running investment advisory services for their clients in other countries who may wish to do business in India, as well as for their clients in this country. The Finance ministry and the Reserve Bank could, therefore, with advantage adopt an inaginatively responsive policy towards them so that they may serve as a channel for the flow of foreign capital into our economy. Right now the great banking institutions of the west are being sought after by oil-exporting countries in need of investment outlets for their oil revenue. Our government, acting solely in our country's interests, would be well advised to seek to interest these bank in exploring investment possibilities in our economy fo some of the petro-dollars handled by them.

Mulish ignorance

It is of course far too absurd for our government to go on mulishly ignoring opportunities for developing one or more international financial centres in our country. Even our country's foreign exchange difficulties or its strict exchange control are not enough by themselves to justify the government's reluctance to take the initiative in this matter. Other countries too have balance of payments problems, but this has not made it necessary for them to restrict artificially the activities of foreign banks in their countries or of their own banks abroad. As a matter of fact, the building up of a two-way traffic in banking across national frontiers could in itself be helpful towards mitigating a country's balance of payments difficulties. In any case, in the current context of the scope that exists for international banking to activate the flow of capital across national frontiers, it would be a wholly justifiable enterprise on the part of the government of India to frame a policy which encourages both foreign banks operating in our country, and our own banks which would go out into the world to play their role in international banking.

The South Indian Bank Limited

The South Indian Bank Limited was incorporated on January 25, 1929, by a group of prominent businessmen of Trichur in Kerala state. With 44 shareholders and a paid-up capital of only Rs. 22,000, it started functioning on January 28, 1929. Thanks to the excellent support and co-operation it received from the public, the bank had slow but steady growth. By 1944, its paid-up capital grew up to Rs. 0·77 lakhs and by 1947 it rose to Rs. 8·75 lakhs. The deposits of the bank also increased correspondingly. The progress statement given below tells the story of its growth to its present position as the largest scheduled commercial bank in the private sector, registered in Kerala.

The bank has now a net-work of branches in the states of Kerala, Tamilnadu, Karnataka and Pondicherry and a branch in New Delhi. It has plans for opening new branches in all the metropolitan cities of India. With a view to extending banking facilities to villages, the bank has opened a large number of branches in places which previously had no banking offices.

Progress Chart

	1929	1939	1959	1969	30-6-1974
Paid-up capital & Reserves	23,000	90,000	21,59,000	30,60,000	35,01,000
Deposits	2,51,000	6,47,000	5,57,90,000	13,06,17,000	24,64,75,000
Advances	2,22,000	5,81,000	3,38,82,000	9,50,10,000	16,51,20,000
Branches	1	5	30	78	117
Number of employees	3	28	373	891	1,071
Total working capital	3,11,000	9,13,000	6,76,28,000	16,36,51,000	28,60,75,000

Foreign Banks—Business in India

(Amount in lakhs of rupees)

Last Friday/Friday	Number of reporting banks	Demand and time liabilities										
		Aggregate Deposits (5+10)	Demand					Time				
			Total	Deposits		Borrowings from banks	Others	Total	Deposits		Borrowings from banks	Other
				Inter-bank	Others				Inter-banks	Others		
	1	2	3	4	5	6	7	8	9	10	11	12
1960-61	15	217,85	116,72	7,62	96,25	7,72	5,13	131,52	3,04	121,60	4,48	2,40
1965-66	15	342,42	162,72	2,67	137,42	15,68	6,96	228,01	43	212,01	13,20	2,38
1969-70	15	491,39	201,32	3,99	169,41	14,64	13,28	330,47	82	321,99	4,00	3,67
1970-71	15	552,07	226,38	3,96	194,14	10,50	17,78	372,43	37	357,93	40	13,73
1971-72	14	627,67	244,18	4,31	214,26	5,66	19,96	424,72	14	413,41	—	11,17
1972-73	13	690,63	265,70	4,09	226,93	8,61	25,17	475,08	67	463,70	20	10,51
1973-74	13	769,79	317,35	6,12	263,98	7,29	39,97	517,02	13	505,81	—	11,07
October 25, 1974	13	810,73	329,27	8,17	271,72	10,29	39,09	549,96	13	539,01	15	10,66

	Borrowings from Reserve Bank			Borrowings from State Bank and/or a notified bank			Cash in hand and balances with Reserve Bank			Balances with other banks in current account	Investments in Government securities	Money at call and short notice
	Total	Against usance bills and/or promissory notes	Others	Total	Demand	Time	Total	Cash in hand	Balances with Reserve Bank			
	13	14	15	16	17	18	19	20	21	22	23	24
1960-61	22,77	21,67	1,10	86	86	—	12,18	2,42	9,76	1,40	40,46	12,19
1965-66	1,14	10	1,04	11,19	5	11,14	16,36	3,55	12,80	2,56	94,27	15,51
1969-70	13,40	1,19	12,21	8,86	14	8,72	20,39	5,16	15,22	3,91	126,10	11,06
1970-71	30,67	1,98	28,69	8,14	10	8,04	24,40	5,52	18,88	6,01	152,61	8,99
1971-72	14,43	—	14,43	9,29	—	9,29	27,05	6,13	20,93	7,11	171,45	15,94
1972-73	2,30	40	1,90	10,29	76	9,53	28,96	6,89	22,07	8,92	199,20	31,78
1973-74	39,29	5,47	33,82	12,87	4,68	8,19	—	7,31	—	8,18	234,70	6,91
October 25, 1974	421,10	10,50	10,60	9,59	1,49	8,11	—	8,48	—	10,38	263,40	5,77

	Assets					19	23	25
	Bank Credit					As percentage of aggregate deposits		
	Total (26+28+29)	Advances		Bills Purchased and discounted				
		Loans, cash credits and overdrafts	Due from banks	Inland	Foreign			
	25	26	27	28	29	30	31	32
1960-61	233,95	189,32	19	25,17	19,47	5,59	18.57	107.39
1965-66	281,54	251,34	1,77	17,60	12,60	4,68	26.98	80.57
1969-70	410,32	333,70	2,30	25,44	51,18	4,15	25.66	83.50
1970-71	463,68	367,96	2,25	35,84	59,88	4,42	27.64	83.99
1971-72	497,47	373,64	1,38	63,99	59,84	4.31	27.31	79.26
1972-73	510,78	352,97	1,52	80,96	76,85	4.19	28.84	73.96
1973-74	577,13	429,28	2,07	63,46	84,39		30.49	74.97
October 25, 1974	626,13	450,57	2,26	80,72	94,83		32.49	77.23

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Banks and personalised service

An interview with Mr J. Krishnatrey, Chairman, the Narang Bank of India Ltd.

Mr S.P. Chopra, Senior Assistant Editor, *Eastern Economist*, interviewed Mr Krishnatrey on February 26, 1975.

Q. Do you think that since 1969 the private sector banks have progressed at a much faster pace than the nationalised banks? If so, what are the basic reasons for this improved performance?

A. Yes. It is true that the banks in the private sector have progressed at a much faster pace than the nationalised banks. The deposit mobilisation by the private sector banks since 1969 has, in percentage terms, been far better than that of nationalised banks. There are a number of reasons for it and the most important of them, in my view, is the personalised service which the private sector banks are in a position to render to the public. This in turn is made possible by better management of the banks' affairs by their boards.

Management by objectives

It is widely known that the principle of management by objectives is being more effectively observed by the boards of the private sector banks than the boards of nationalised banks. The nationalised banks have certainly not been able to set the pattern of conducting management by objectives. as stated above, which is so vital for promotional purposes. That is why it has not been possible for them to show better results and render better public service, etc. I give highest importance to the personalised service which has helped private sector banks to grow and this has been my personal experience too.

As you are aware, I took over the chairmanship of the Narang Bank of India Ltd., in November last year. Earlier to this, for some period of time I was with Reserve Bank of India, where during a period of three to four months, numerous complaints about the working of the nationalised banks, involving a variety of issues such as disregard of the instructions of the customers and the quality of services, etc. came to my knowledge.

Also, the private sector banks have put up an improved performance because of the special facilities which they are able to offer to the clientele. For example, special incentive schemes for the customers and the staff have been formulated by most of the private sector banks. Moreover, the private sector banks are permitted to offer a better rate of interest on deposits—1/4 per cent to 1/2 per cent above those offered by the nationalised banks under the differential interest rate scheme of the Reserve Bank of India, which was introduced in the past, suspended for a while and re-introduced recently. Obviously, the Reserve Bank of India has found that smaller banks find it difficult to compete with medium size and big banks in attracting deposits because of higher rate of interests. The scheme benefits the private sector banks only and that has been so in the past also, since the nationalisation of 14 commercial banks.

Q. Is this 1/4 to 1/2 per cent premium a big enough incentive?

A. Yes. but that is not all, although it is certainly a big incentive for the customers. For example, during the past four months, the deposit growth-rate of the Narang Bank of India Ltd. has been 8 to 9 per cent and the differential rate scheme has much to do with this impressive rate of deposit mobilisation. Then the private sector banks do offer special facilities to the clients such as payment of interest on their long-term deposits on monthly basis; easy loan facilities in case of need, etc.

Q. What kind of incentives are provided to the staff? Is'nt a small bank in the C category paying lower emoluments to a worker in relation to an A category bank?

A. In a 'C' class bank, the basic wage may be lower than that of an 'A' Class bank but the rate of dearness allowance is the same as it is linked with the consumer price index. In the Narang Bank of India Ltd., incentive schemes are still to be evolved but in another private sector banks in Uttar Pradesh which I mana ed for about five years, son incentive schemes were moc ed. In some of the banks, understand, merit certificat are given to outstandi workers. The workers a also given lumpsum paymen for mobilisation of deposit in approved proportions.

Q. Both the public a private banks are governed the Reserve Bank of India regard to advances. Do th private banks get any preferen tial treatments in this regard?

A. No. Certainly not. Bu the banks in private secto are in a position to take quic decisions on matters concern ing advances. A compan

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ch came to me for accom-dation up to Rs 15 lakhs, ferred to deal with a small k even though it had its ular banking in a nationa-d bank with Head Office in cutta. This bank would d minimum of five to six eks to give its decision. hile I gave my decision hin half-an-hour's-time. rein lies the superiority of e private sector banks. en in the case of a nationa-ed bank with head office in lhi, red tap would delay e decision unduly.

mpt service

It is because of this promp-ss in service that this all bank is getting some of e most sought after accounts this city.

Let me recount to you an-her incident from my per-nal experience. In a town Uttar Pradesh where I was neral Manager of a private tor bank, there were three anches of public sector nks and our bank in the ne block of buildings. Both regard to deposits and ad-nces, this private sector nk scored over all the ee branches of public ctor banks. This has mainly en due to, as I observed a le while ago, efficient handl-g of various portfolios of e bank.

Q. **This is indeed very en-uraging. Is it your daily ex-rience?**

A. Yes. Here is another plication from another busi-ss firm of repute for accom-odation up to five lakhs of pees. Clearance in this re-rd has been given within e minutes. If the same rty had gone to the public ctor bank, who would have en bothered about the need the customer?

Q. **You have experience the working of both the pub- and private sector banks. o you think, the management private sector banks is more onomical?**

A. Yes. Private sector nks minimise wastage rough control on expendi-re and other measures such as devoting personal attention to explore the possibilities of cutting down avoidable and wastfull expenditure. For example this bank has four branches and for each one of them, ceiling on expenditure has been fixed. I wonder if such a step could possibly be taken by any nationalised bank in the country.

Q. **What are the total deposits of this bank?**

A. At the end of 1974, the total deposits were Rs 86 lakhs.

Q. **Why have you been sent by the Reserve Bank to manage this bank?**

A. To give it a professional look. The board of directors has been changed and it is now being run in a business-like manner.

Q. **Are you also under compulsion to advance funds to priority sectors as is the case with the public sector banks?**

A. Yes. we also have our allocation to these priority sectors. We abide by the Reserve Bank directives in this behalf.

Q. **Do you think the private sector banks have a part to play in our economy and that they should not have been nationalised?**

A. Yes. I think there should be competition between the two sets of banks. Only in this way banking can expand in this country in a healthy manner. In fact it would be no exaggeration if I say that the banks in the private sector have/had been having a better regional/area approach and have been/and are very useful to the community they are serving. Thus, a man in the street is being looked after and cared for in a much better way by the private sector banks than nationalised banks.

Q. **Supposing in another five years, these private sector banks overtake some of the public sector banks in deposits. What happens then?**

A. I think, the other day the union Finance minister, Mr C. Subramaniam, made it clear in Parliament that the government had no intention of nationalising them. This is indeed a very healthy decision. Nationalising all the banks is not going to serve any useful purpose. 84 per cent of all the bank deposits are already nationalised. Of the balance, 11 per cent is commanded by the foreign banks. So the share of the private Indian banks is certainly very small.

Q. **What is the future of these private sector banks?**

A. Very good future. If I am not divulging any secret, most of the people in the banking circle feel that it may not be good to eliminate the private sector banks and no worthwhile purpose would be served, if that is done.

From time to time much thought has been given to the question of merger of smaller banks with the bigger one. But it is felt that so long as these banks are run according to the directions of the central banking authority and in consonence with national objectives, their seperate existence should continue and will be helpful to the nation and this is my personal view too.

Q. **In the light of your experience in banking, will you suggest that the number of private banks should be increased or should be stay put?**

A. As it is, there is no possibility of increasing the number of private sector banks. At best, there is some scope for consolidation. For example, there are many unit banks—banks which have only one operating office. There are about five or six such banks. They could certainly be merged with other banks. Similarly, the non-scheduled banks should be merged with other banks The unit banks—a majority of them—are not viable.

Then there was a proposal to mergé the private sector banks operating in UP. It appeared to be a good proposal though for some unknown reasons it did not come through. Personally, I am in favour of consolidation.

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Private sector banks: vigorous growth

Jacob Kalliath, B.A. B.L.
Chairman, South Indian Bank Ltd

MORE than five years have elapsed since the 14 major banks in the country have been nationalised. More than 80 per cent of the organised banking is now in the nationalised sector. There has been a great deal of discussion on the working of the nationalised banks and it is good to find that nationalised banks have been able to keep up the tempo of growth during the past five years. It would appear, however, that the services rendered by the banks in the non-nationalised sector are not being properly highlighted. The banks in the non-nationalised sector are also showing vigorous life and substantial progress. The table alongside indicates the trend of growth of banks in the private sector as compared to banks in the other sectors.

It is apparent from the above statement that these non-nationalised banks are also forging ahead at a rate even faster than those of the nationalised banks.

What is actually the difference between nationalised and non-nationalised banks? Non-nationalised banks are stated to be in the private sector, but their activities are, to a very large extent, controlled, directed and guided by the central banking authority. In fact, it is not correct to call them banks in the private sector. The rate of interest the banks can allow on deposits are fixed, the rate of interest they can charge on advances also are to some extent restricted. The nature and type of advances these banks could make are defined; similar is the case with the securities they could accept, the extent to which they could grant advances to particular sectors, and the limits that could be sanctioned—are all regulated from time to time. The emoluments payable to those working in banks are also regulated by awards and agreements. If the idea of leaving certain banks in the private sector was to make a comparative study of the banks in the public and private seetors, these restritions which make the activities of the private sector banks very much restricted leave little room or scope for such comparative study.

Trend of growth of Banks

(in crores)

	Deposits on	
	18-7-1969	30-6-1974
State Bank Group	1259.60	3007.80
Nationalised banks	2627.40	5927.00
Other scheduled banks*	274.10	919.30
Foreign banks	469.20	796.50
	4630.30	10650.60
Non-scheduled banks		17.67

* Does not include deposits of 6 banks which have become scheduled banks subsequent to 18-7-1969.

When legislation is brought in, taking into account all-India consideration, government financial policy, etc, the interests of the individual banks are sometimes sacrificed. It is very often forgotten that all the big banks now functioning in the country, under the nationalised sector, have been at a time very small banks with small resources. It has been possible for those banks to develop and grow into formidable financial institutions of the country because they were able to direct the activities of those institutions more or less freely, changing its policies according to its individual requirments and without jeopardising the larger interests of the country.

When general regulatic and legislations are brou in, individual banks w comparatively small resour find it very difficult adjust their activities in su a manner as to enable them grow fast. Regulations a restrictions may be necess in a controlled economy. I these regulations and restr tions should be imposed such a manner that the sma institutions are allowed to l and prosper. Greater cor deration will have to be sho to the smaller institutions wh general policies are enunci ed. It is not proposed here discuss in detail the spec problems facing the bank represent or the banks general. But when priv sector banks are allowed function, they should be gi some amount of freedom frame their own policies long as they are not detrim tal to the general interests the country as a whole.

Vijaya Bank Ltd

Established during the year 1931 in Mangalore as a small bank by a few enthusiastic and enterprising farmers of South Kanara District of Karnataka state, the growth of the Vijaya Bank was very slow for 30 years. Till 1944, the area of operation was limited mainly to one district of Karnataka state i.e., South Kanara. The first branch outside the state was opened during 1944 at Bombay. The total deposits of the bank stood at Rs. 1·44 crores at the end of 1961 and total number of branches was only 21. The years 1959, 1960 and 1961 were the critical years for the Bank. It was even suggested at that time that the bank should be merged with some other bigger bank.

After the present chairman, Mr. M. Sunder Ram Shetty, became Honorary Chairman in May, 1962, the Bank gathered strength and momentum. Mr Shetty successfully negotiated the merger of Devanga Bank in 1963. Later, a series of mergers of eight more banks took place during the period 1963-67. By the end of 1969, the bank had progressed in all directions taking its total deposits to Rs. 13·2 crores and providing additional employment to more than 800 persons.

During the year 1969, when Mr Shetty became full-time Chairman, the banks were brought under social control by the overnment. The Bank's Administrative Office was shi to Bangalore. During the cours these five years i.e., from 196 1973 the deposits have increase about 515% i.e, from Rs. crores to Rs. 81·13 crores. T deposits of the bank at the en November 1974 was Rs. 9 crores.

The bank obtained a licenc deal in foreign currencies in the 1971. It has already establi account relationship and ag arrangements with correspond abroad and is now fully equippe deal in all kinds of foreign exch business.

Progress At a Glance

(Rupees in lak

Year	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Capital	9·1	9·1	9·2	10·8	11·0	11·1	13·8	13·8	20·2	43·8	43·9	59·6
Reserves	3·1	3·2	3·4	3·8	4·0	5·0	6·0	7·0	8·0	16·0	26·0	36·0
Deposits	144	181	233	397	566	843	1206	1321	1871	2752	4364	5886
Advances	98	114	154	246	373	550	804	882	1301	1754	2584	3610
Net profits	0·3	1·6	0·8	0·9	1·7	1·7	1·8	1·9	4·6	8·5	14·9	17·2
Dividend	2%	5%	5%	5%	6%	6%	6%	6%	8%	10%	12%	12%
Number of branches	21	21	26	52	55	63	87	89	114	126	141	184
Number of employees	161	176	222	421	503	689	919	982	1160	1462	1896	2506

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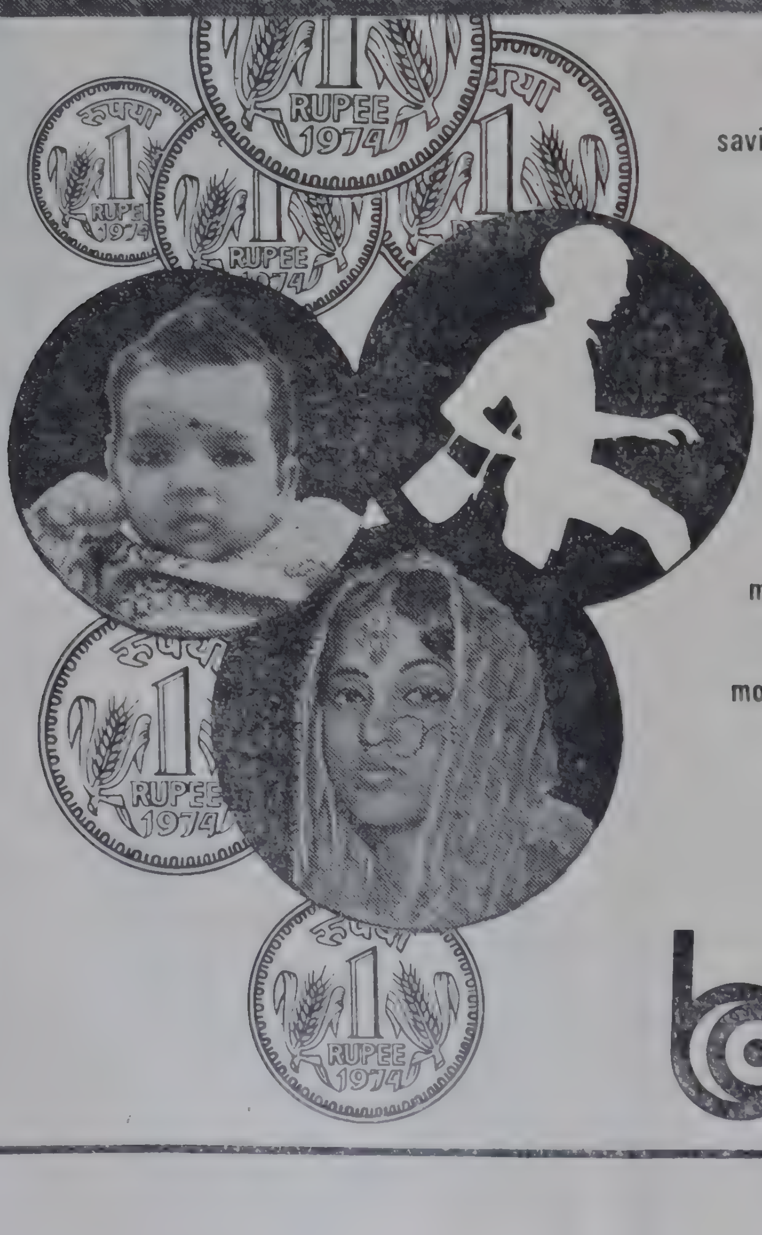

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Towards social objectives

R. C. Suneja

Assistant General Manager, Oriental Bank of Commerce Ltd.

NDER THE impact of nation- economic problems private ctor banking is undergoing process of transformation in l dimensions of operation ereby strengthening the bank- g system. In fact, there was ll awareness on the part of licy makers of bank nationa- ation that stubborn and ormous national economic oblems such as concentra- n of economic power and ewed income distribution, employment, regional im- lances, inflation and produc- n stagnation cannot be lved by public sector banks on their own. Bank nationa- ation merely aimed at har- ssing the resources of bank- g system for the pur- se of development with cial justice. Even at the time of nationalisation, the response of the banks in private sector to the multifarious economic needs of the community were not found to be halting or fitful. While spelling out the priorities and objectives of nationalisation the authors were aware of the leading role that the private sector banks could play and had in mind what was expected of them and had the policy frame-work within which the private sector banks could operate with the following background.

At the time of nationalisation in 1969, out of 89 commercial banks 73 were scheduled and sixteen were non-scheduled. Of the 73 scheduled commercial banks, fifteen were foreign banks i.e. banks which were incorporated outside India, of these thirteen are operating.

dvances to Agriculture and other Hitherto Neglected Sectors by Public Sector Banks

	June 1969		June 1974	
	No. of A/cs.	Amount Outstanding	No. of A/cs.	Amount Outstanding
		Rs crores		Rs crores
Agriculture :				
a) Direct Finance*	160020	40.20 (1.4)	1630127	391.58 (6,0)
b) Indirect Finance	4461	122.09 (4.1)	208651	193.10 (2.9)
Small scale industres**	50850	251.10 (8.5)	201409	868.33 (13.2)
Road transport operators	2324	5.49 (0.2)	63470	83.89 (1.3)
Retail trade and small business	33241	19.37 (0.6)	320700	117.68 (1.8)
Professional and self-employed persons	7769	1.91 (0.1)	180173	29.74 (0.5)
Education	1477	0.80 (—)	11733	3.49 (0.1)
Total (1 to 6)	260162	440.96 (14.9)	2616263	1687.31 (25.7)
Total advances by these banks		3016.76		2563.00

* Excludəs advances to plantations other than developmental finance.

** No. of units.

ote : Figures within brackets indicate the percentage to total advances of these banks.

On July 19, 1969 Indian scheduled banks with deposits of Rs 50 crores and above were nationalised. With this the public sector banks consist of the State Bank of India and its seven subsidiaries and fourteen nationalised banks. About 83 per cent of aggregate deposits and credit and 80 per cent of the number of offices are in the hands of the government. In the private sector there are 36 Indian scheduled banks which account for about 6 per cent of total deposits. Foreign banks are mostly concentrated in four metropolitan cities namely, Bombay, Calcutta, Delhi and Madras.

Six years are certainly a short period for judging the performance of banks in regard to the objectives of bank nationalisation and of private sector banks. However, the structure of the banking system as it exists today as a result of collaboration of private sector and public sector banks can be said as truly great.

The followiug performance review of the public/private sector banks would be of interest to all concerned.

The principal objectives of agricultural development in India's successive five-year plans have been to achieve self-sufficiency in foodgrains, to increase agricultural production to meet the needs of industry and export, to diversify the rural economy with stress on animal husbandry, dairying and fisheries and to improve the levels of living of the farming community who form the bulk of the population.

Planning for agriculture itself is extremely difficult even if sizable financial resources are made available and a sound organisational set-up is created. This is mainly because of our country's vastness and the spread of farmers over 5,67,000 villages along with their small and scattered holdings.

Apart from the direct finance, the commercial banks have found it possible to help agriculture by providing finance to electricity boards to enable them to help energisation of minor irrigation sources (Rs 83.81 crores), by financing distribution of fertilisers (Rs 43.83 crores) and other agencies concerned with the development of agriculture (Rs 33.83 crores) in addition to financing cooperatives to the extent of Rs 16.64 crores in

The New Bank of India Ltd

The year 1974 was a year of creditable achievements for the New Bank of India Ltd., as it crossed its deposit target of Rs. 100 crores. The Bank reported all-round progress in almost all spheres of its activities exceeding the previous year's record performance.

The deposits reached Rs. 109·82 crores at the end of 1974, against Rs. 84·46 crores at the end of 1973. This represented a growth of 30·02 per cent which compared very favourably with the all-India average.

Advances at Rs. 60·46 crores represented an increase of about 18 per cent over the preceding year.

At the end of 1974, the New Bank of India Ltd., was the second largest bank among the non-nationalised banks in the country.

During 1974, the Bank issued right shares at par in the ratio nf 1 for 2, thus raising the paid-up capital from Rs 33·57 lakhs to Rs. 50·35 lakhs. Reserves and carry forward stood at Rs. 74·64 lakhs to which provisions out of the profits for 1974 were still to be added.

The Bank now serves its constituents through its network of 171 branches spread all over India. During 1975 the Bank expects to raise the number of its branches to 200.

the backward areas where the cooperative structure has been found to be weak.

Minor irrigation purposes accounted for a major portion of the developmental loans provided by the public sector banks (74.2% of the accounts) followed by loans for acquiring tractors and other farm machinery (9.6% of the number of accounts and 27.8 per cent of the outstandings). In the case of the private sector banks loans for tractors constituted the bulk (33.9%) while loans for plantations came next (28.6%).

Scheduled Commercial Banks—Variations in Selected Items

(Rs crores)

	Outstanding as on March 31, 1969	Outstanding as on Jan. 17, 1975 (Provisional)
Demand deposits	1975.5	4855.7
Time deposits	2408.9	6760.8
Aggregate deposits	4384.4	11616.5
Borrowings from RBI	118.8	79.8
Cash and balances with RBI	255.3	813.6
Investment in Govt. Securities	1091.2	2774.8
Bank credit	3463.6	8076.9
Bills rediscounted under the new Bill Market Scheme		168.1
Gross bank credit (including bills rediscounted)	3463.6	8245.0

Branch Expansion of Public Private Sector Banks

	No. of offices as on 19.7.69	No. of offices as on 30.9.74	Increase between 19.7.69 and 30.9.74	Increase in number of offices in rural centres*	% of column 5 to 4
1	2	3	4	5	6
a. State Bank of India	1571	3143	1572	706	44.9
b. Subsidiaries of SBI	894	1670	776	382	49.2
c. 14 nationalised banks	4168	9213	5045	2507	49.7
Total of Public Sector banks (a+b+c)	6633	14026	7393	3595	48.6
d. Other Indian scheduled commercial banks	1340	3052	1712	746	43.6
e. Foreign banks	130	131	1	—1	—
f. Non-scheduled banks	218	124	—94	—10	—
Total of all commercial banks	8321	17333	9012	4330	48.0

*Rural centres—Places with population upto 10000

In order to help improve the economy of the agriculturists, loans have been advanced for activities allied to agriculture such as dairying, poultry farming, piggery, bee-keeping, fisheries etc. These loans have accounted for Rs 19.67 crores in 42872 accounts amongst the public and private sector banks. Provision of finance for allied activities is an important step to promote employment and economic viability of individual farmers.

Farm finance

The commercial banks in the public and private sectors, have helped 16,31,561 persons with agricultural finance. The average short-term loan per account worked out to Rs 594 in the case of private sector banks as against Rs 1370 in the case of public sector banks. On the other hand, the average medium/long term finance per account worked out to Rs 7306 in the case of private sector banks as against the corresponding figure of Rs 4691 in the case of the public sector banks. The role of the public sector banks in the agricultural sector has widely varied from region to region. While the southern region accounted for the bulk of the accounts (57.4 per cent) as well as in outstandings (32.2 per cent), the share of the north eastern region has been the lowest (0.6 per cent of accounts and 0.3 per cent of outstandings). The western region accounted for 14.9 per cent and 28.3 per cent of the accounts and outstandings respectively. State-wise, maximum advances have been granted in Maharashtr (18.1 per cent) followed by U.P. (13.1 per cent), Tami Nadu (12.7 per cent), Gujarat (10 per cent), Andhra Pradesh (9.5 per cent) and Karnatak (9.3 per cent). Public secto banks should lay greater stress as a deliberate policy, on th developmental needs of th north-eastern sector and othe backward areas in the country

Of all the schemes formu lated during post-nationali sation period Lead Ban scheme is indeed the mos important. The success o nationalisation itself hinges o the success of the scheme. Th Lead Bank scheme lays dow inter alia that there has to b a coordinated approac

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nong banks both private ctor and public sector to entify bankable propositions d formulate them into able schemes which could elp weaker sections of society.

The public sector banks ave been designated as Lead anks for various districts in e country. For the private ector banks there may not be ad regions under the cheme but they are equally nthusiastic about developing eir business in the districts the national interest and ave contributed their effort activating the District onsultative Committees here the role of each finan- ial and non-financial institu- ion is determined. The task f implementing the District redit Plans is no doubt gigan- ic, yet the private sector banks ave a coordinated approach n implementating them on the asis of mutual understanding.

anking has come of age

To sum up, the Indian anking system has come of ge. We have State Bank of ndia group, nationalised anks, other scheduled com- nercial banks, foreign banks, on-scheduled banks all with 7333 branches in addition to 25 state cooperative banks. o many of our friends broad, accustomed to a few imilar, highly centralised and ontrolled institutions or anking systems it may appear hodge-podge. On the contrary we have a remarkably mooth, silent, efficient flow f banking business and nterchange of information. We have welded our banking system in such a way that public pays little attention and actually knows little of many types and kinds of banks which make up our system. They know only that it functions and functions well.

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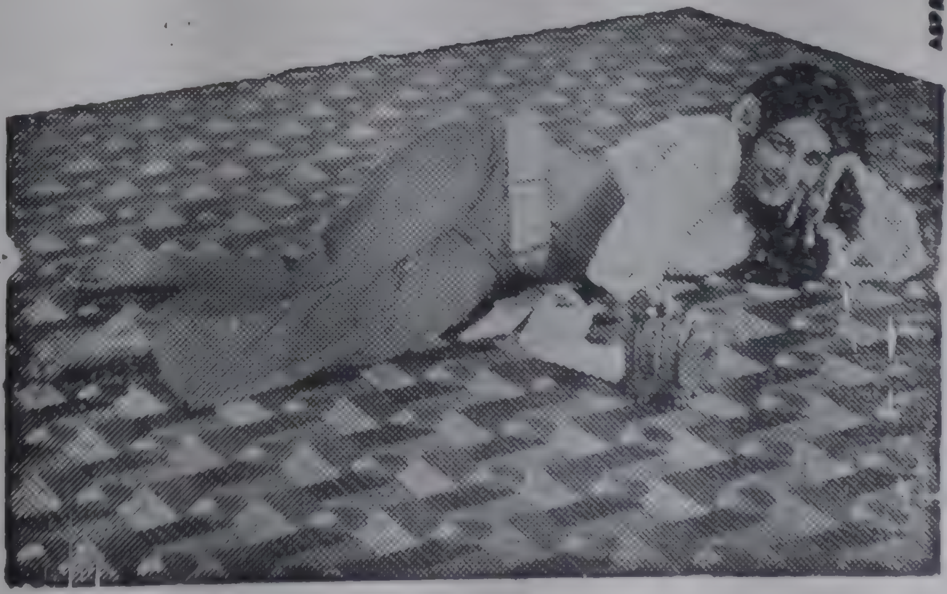

TRADE WINDS

National Commission on Agriculture

THE NATIONAL Commission on Agriculture has submitted two interim reports to the union government on (i) Agricultural Price Policy, and (ii) certain important aspects of Marketing and Prices of Cotton, Jute, Groundnut and Tobacco. The Commission had earlier submitted 21 interim reports covering different aspects of agricultural development. With the submission now of two more reports, the series of interim reports is complete. The Commission is now engaged in drafting its final report. The more important recommendations made by the Commission in those two interim reports are briefly given below.

The Commission, in its interim report on Agricultural Price Policy, has indicated its approach to price policy for both food and commercial crops and the entire package of support price, procurement/purchase price, procurement and distribution of cereals and such aspects of food policy as are relevant to price policy. The report also deals with the arrangements for advising the government in the matter of agricultural price policy. The Commission has emphasised the need for assuring remunerative prices to the farmers with a view to encouraging investment in agriculture and adoption of modern technology. At the same time, it has stressed, the price policy should facilitate growth with stability and should be formulated keeping in view its impact on the economy as a whole.

In the other interim report, the Commission has made a broad assessment of some aspects of the marketing structure for four important commodities, Cotton, Jute, Groundnut and Tobacco, in the light of likely trends in production and demand over the coming years and the prevailing patterns of market arrivals.

The Commission has noted that these commodities are subject to considerable year to year fluctuations in production and prices, which are harmful to sustained production effort, and that the middlemen through their hold on the market mechanism continue to exploit the farmers. It has suggested various measures to facilitate marketing of these commodities and to stabilise their prices, so that, on the one hand, the cultivators are assured of reasonable returns on their investment and, on the other, the economy benefits from stable prices and supply.

The Commission has suggested that the Agricultural Commodity Corporation of India, the establishment of which has been proposed in the interim report on Agricultural Price Policy, should deal with the marketing aspects of oilseeds. It has also recommended that the proposed Tobacco Board should be entrusted with the responsibility of stabilising the prices of various grades of tobacco. The Commission has emphasised that all the commodity corporations (i.e. Cotton Corporation, Jute Corporation, Tobacco Board and Agricultural Commodity Corporation) should be equipped with adequate financial and physical resources to enable them to gain a commanding position in the respective commodity markets.

Aluminium Distribution

The government imposed on March 16, a statutory control on the distribution of all varieties of aluminium metal. There was earlier price control on aluminium and informal distribution control on EC grade aluminium only. A special controller has now been appointed in the Department of Mines and Metals to ensure effective distribution of the metal under the Essential Commodities Act. The controller will look after the distribution of both EC and CG grades of aluminium. He has been asked to ensure that producers supply the metal to allottees according to priorities laid down by the government. Aluminium metal has been in shortage for some time now. The government had issued the Aluminium Control Order in 1970. In spite of this the problem of effective distribution, according to priorities could not be ensured.

The union government has also decided to look into the alleged widespread bypassing of the regulation concerning the manufacture of EC grade aluminium. Although the industry as a whole is required to produce EC grade aluminium at least to the extent of 50 per cent of the total production, some of the manufacturers in their individual capacity are said to be not complying with this regulation. This leads to a shortfall in the supply of EC grade aluminium, which at a time when the total production has gone down sharply owing to severe power cuts, upsets the production schedules of aluminium processing industries. The government expects the aluminium output during the next financial year to increase to 175,000 tonnes from the current year's figure of 127,000 tonnes. The share of EC grade aluminium will be about 87,500 tonnes. Minimum requirements of EC grade are however, for about 120,000 tonnes.

Chemical Prices

The State Trading Corporation has come out with a substantial reduction in the prices of six more items of chemicals in order to liquidate its large stocks. The items are beta naphthol, VA monomer, LDPE, polypropylene, titamium dioxide and aniline oil. The cut in the prices ranges between Rs 1,000 and Rs 5,000 per tonne. Beta naphthol is now priced at Rs 37,644 against Rs 43,350, VA monomer at Rs 17,370 against Rs 26,417, titanium dioxide at Rs 19,000 against Rs 21,529 and aniline oil at Rs 20,318 against Rs 21,220 per tonne. The revised prices come into effect from March 15 and they are operative till March 31, 1975. The situation would be reviewed afresh thereafter in the light of consumers' demand and the availability of stocks. STC will offer these chemicals to the holders of release orders on first come first served basis. Those allottees who have already lifted the chemicals in the past against their release orders are not liable for fresh supply.

UK Business Team

A British business mission sponsored by the Birmingham Chamber of Industry and Commerce (BCIC) arrived in New Delhi recently for a 12-day tour of India. The mission is led by Mr J.R. Stewart-Smith, Divisional Director and Steel Marketing Manager of Balfour Darwins Ltd, who manufacture hand tools, high-speed steels, alloy and carbon tool steels. With its wide diversity of light and heavy industries, the Midlands is regarded as Britain's 'workshop', with Birmingham as the capital.

The members of the mission represent firms supplying a wide range of capital goods. These Are: B & S Massey Ltd, who make mechanical forging presses, trimming presses, die and free forging hammers — represented by their Export Manager, Mr C.N. Massey; The Vapormatic Co. Ltd., who make replacement parts and accessories for agricultural tractors and implements — represented by their Sales Manager, Mr D.B.

chell; Bell & Howell Ltd., make tranaducers for ospace, marine and indust- uses, analogue tape re- ders and UV recorders — resented by their Export es Manager, Mr D. New- -Smith; Charles Open- w & Sons (Manchester) ., who make "Openbrig" ober offset printing blankets, mper covers, cylinder pack- s and pressroom chemicals represented by Mr M.K. ive, Export Sales Direc- ; Inductotherm Europe d., who make electric melt- furnaces — represented their Director and General anager, Mr J.S. Perks; and ookee (Oldbury) Ltd., who oduce tube-making and work- machines, drawbenches, and tting, handling, tapering, bore lishing and slitting machi- s — represented by Mr R. Teasdale, Export Sales ecutive.

do-French Technical ooperation

The second meeting of the do-French Study Group on onomic and Techical Co- eration was held recently. e French delegation was by M. Larrera De Morel, ead of the Department of ternal Economic Relations the French ministry of Eco- my and Finance and the dian delegation was headed Mr M.G. Kaul, Secretary, epartment of Economic Affairs the ministry of Finance.

The group noted the owing economic links tween the two countries, th in the matters of trade as so industrial collaborations. he group considered a num- r of suggestions received om both sides for strengthen- g economic and technical operation between the two untries and identified several eas in which it was felt that rther cooperation between e two countries would be uitful. These are: (1) Tech- ical and industrial coopera- on in exploration and pro- uction of oil and gas, particu- rly in off-shore areas; (2) ertilizers, petrochemicals and esticides; (3) Power genera- on and trahsmission; (4) Certain specific areas in the mining and utilisation of coal; (5) Transport industry including production of heavy vehicles and underground railway systems; (6) Telecommunications and electronics including data processing; (7) Technological and applied research in several fields.

The group also discussed at length and agreed that there was a good scope for Indo-French cooperation in the execution of industrial projects as also major public work programmes and other infra structures in third countries. It was decided that both the governments would take steps to facilitate cooperation between industrial enterprises of the two countries in undertaking such joint projects.

Indo-Sri Lanka Agreement

An agreement on Cooperation in the fields of Science & Technology between India and Sri Lanka was signed recently by Mr V.C. Shukla, minister of state for Planning, India and Mr T.B. Subasinghe, minister of Industries and Scientific Affairs, Sri Lanka. The agreement provides for exchange of scientific and tehnical delegations, exchange of scientists, research workers, specialists and lecturers, exchange of technical documentation and information and arrangement of scientific and technical seminars on problems of common interest. It also includes joint identification of scientific and technical problems and examination and approval of joint research programmes leading to application in industrial and agricultural production, public health, housing, transportation and communication. Joint introduction of various technological processes in industry, agriculture and other fields is also provided for in the agreement.

The cooperation between the two countries will be realised under this agreement on the basis of the implementation programmes which will specify the range, subject and forms of cooperation including financial terms and conditions. Some of the areas to be considered for cooperation under this agreement include Coconut and Tea Research, Rubber and Polymers, Natural Products, Essential Oils, Pulping of Indigenous Woods for Paper and other uses. Cooperation in the fields of Bleaching Techniques, Purification and Upgrading of Graphite, Mica, Ilmenite, Kaplin, Rice Bran Oil Technology and Natural Vegetable Fibres will also be considered.

Trade Delegation to Moscow

A trade delegation led by the Commerce Secretary, Mr Y.T. Shah, left for Moscow on March 14, 1975 for talks with the Soviet authorities regarding the perspectives of the long-term trade plan and a general review of Indo-Soviet trade. The current long-term trade plan for 1971-75 will expire in December 1975 and a new long-term plan for the next quinquenium, 1976-80, has to be negotiated in the course of this year. Preliminary discussions on the subject were initiated some time ago. However, these Indo-Soviet talks mark the beginning of the intensive phase of these negotiations. It is expected that after one or two more rounds of duscussions in the course of the next three to four months, the long-term trade plan will be finalised. It may be recalled that Mr M.S. Patolichev, Soviet minister of Foreign Trade had recently invited Prof D.P. Chattopadhyaya, union Commerce minister, to visit Moscow this year for signing the trade and payment agreement. Prof Chattopadhyaya had tentatively accepted the invitation. During his visit to Moscow, Mr Y.T. Shah is having discussions with the Soviet authorities in the ministry of Foreign Trade, GOSPLAN, and other state organisations.

India's trade with the USSR has increased significantly during the last five years. The total trade turn over between the two countries increased from Rs 300 crores in 1971 to Rs 618 crores in 1974. The trade protocol for 1975 envisages a turn over of around Rs 750 crores. It may be recalled that in November 1973, when Mr Brezhnev visited this country, the leaders of the two countries had envisaged a target of doubling the trade turnover between the two countries in real terms by 1980.

Electrical Equipment Industry

The union government has decided to extend the special facility of diversification to the electrical equipment industries covered under the Scheduled Industry No. "5-Equipment-(1) Equipment for generation, transmission and distribution of electricity including transformers and (2) Electrical Motors". Any industrial undertaking currently holding a licence for the manufacture of one or more items falling under the above scheduled industry, will now be eligible to undertake the manufacture of any other item falling under the same sub-schedule, within the overal licensed capacity for such items. However, this is subject to the following exceptions: (a) power generation equipment; (b) transformers (including CTs and PTs) and switchgears in the higher ranges above 220 KV; and (c) electric motors in the range above 1000 HP. For availing this facility, interested parties may submit five copies of the application in form IL to the Additional Secretary, Department of Heavy Industry, Udyog Bhavan, New Delhi.

It will no longer be necessary to go through the usual procedure for industrial approval. The Additional Secretary in-charge of Electrical Equipment Industry in the Department of Heavy Industry has been authorised to receive applications for such diversification and also to accord necessary approval to such proposals. The ministry of Industry and Civil Supplies has issued instructions that applications for diversification should by dealt with speedily and the final disposal should be communicated to the applicant within two months.

It may be recalled that in the context of government's policy to promote fuller utilisation of existing capacity, the Ministry of Industry and Civil Supplies had announced, in March, 1974, special procedure for diversification in machinery industries, taking into account their distinctive features and potentials. This facility had been extended later to the machine tool industry as well in October, 1974.

Export of Tyres and Tubes

The export earnings from India-manufactured tyres and tubes went up from Rs 5.74 crores in 1972-73 to Rs 7.49 crores in 1973-74. Tyres and tubes manufacturing techology in India has come to a stage of satisfying the rapidly changing demands of tyres and tubes required for the most modern type of automobiles. In the total export earnings during 1973-74, tyres earned as much as Rs 6.52 crores while the share of tubes was of the order of Rs 0.96 crores. Tyres for trucks and buses particularly, were in keen demand in overseas markets during the year having earned maximum foreign exchange valued at Rs 3.6 crores.

Yugoslavia constituted the topmost buyer during the year having imports worth Rs 0.97 crore. Iraq, the second significant buyer, bought worth Rs 0.48 crore followed by Czechoslovakia Rs 0.35 crore, the USSR Rs 0.25 crore, Iran Rs 0.22 crore, Kuwait Rs 0.2 crore, German Democratic Republic Rs. 0.18 crore and the UK Rs0.15 crore. Among others, Federal Republic of Germany, New Zealand, Qatar, Ethiopia, Czechoslovakia and Nepal were significant. Apart from this main variety, off the road vehicle tyres earned Rs 0.9 crore, cycle tyres Rs 0.63 crore, tyres for motor cars Rs 0.4 crore, tyre flaps Rs 0.1 crore and tyres for other vehicles Rs 0.8 crore. Bangladesh, USA, Ghana and Rumania were the major markets for cycle tyres while Iran and Iraq were the principal importers of motor car tyres.

Relaxation in Excise Duty

The union government has announced certain relaxations of the one per cent levy under the Finance Bill, 1975. The levy has been imposed on "all other goods not elsewhere specified" manufactured in a factory as defined in the Factories Act, 1948. Though the tariff item covers all manufactured goods not specified elsewhere in the Central Excise Tariff, by executive notification, the levy is confined to goods produced in factories which employ more than 49 workers in case of power operated factories and more than 99 workers in case of non-power operated factories. The following goods are exempted from the whole excise duty leviable thereon under this tariff item: 1. All kinds of food products and food preparations, including (i) meat and meat products; (ii) dairy products; (iii) fruit and vegetable products (iv) fish and sea foods; and (v) bakery products. 2. Electric light and power. 3. Goods falling under this items, which are used in the same factory as intermediate goods or component parts for manufacture of other goods.

It has also been decided that factories falling under the exempted sector need not be subjected to the licensing formalities. As this item cover all types of factories, some procedural relaxations had been granted in order to enable the factories to adjust themselves to the levy and also to ensure that production and clearance of goods are not disrupted during the transition period. Goods may be allowed to be cleared on presentation of application for Central Excise Licence and on payment of duty and on fulfilling other relevant conditions without insisting on prior furnishing of ground plan and execution of bond; clearance of goods can be taken after submitting classification lists without waiting for approval.

Vulcanising Workshop

The first workshop for vulcanising conveyor belting in India will be set up this year for Neyveli Lignite Corporation Limited. The workshop will be supplied, and its erection and commissioning supervised, by Wagener & Co. of West Germany, represented in India by Larsen & Toubro Limited. The corporation, operates extensive belt conveyors in its mines. Currently replacement cost of worn out belting is estimated to be in the region of Rs 2 crores per annum.

The workshop under supply will drastically reduce this cost, in foreign exhange, by stretching the life of the conveyor belts through reconditioning and vulcanising. The workshop will be able to restore the used conveyor belts to 100 per cent efficiency at least twice over in the case of nylon and textile corded belting and three times over in the case of steel corded belting.

Sugar Output

Inaugurating the annual general meeting of the National Federation of Co-operative Sugar Factories recently, the minister for Agriculture and Irrigation, Mr Jagjivan Ram, stated that the production of sugar this year was expected to be 4.4 to 4.5 million tonnes. He complemented the sugar industry on having reached "expectations of all-time high production" and appealed to the industry to ensure "that our high expectations are not belied".

The minister was happy to note that the importance of sugar exports to the national economy had been recognised by the industry. The country needed not only the foreign exchange accruing from such exports, but also the excess rupee realisations available through it. As much as 400,000 tonnes of sugar had been exported during the first two months of this year.

Regarding fixation of minimum cane price the minister said that the scheme of partial
control on sugar provid
mechanism to ensure a p
for cane higher than
prescribed minimum. He
that the recommendation
the Agricultural Prices C
mission for fixing the mini
cane price for 1975-76
been received and the dec
would be announced shor

Names in the News

Mr Vasant J. Sheth, C
man of the Great Eastern S
ping Co. Ltd, has been ele
President of the Bombay Ch
ber of Commerce & Ind
for 1975-76. He was ele
Vice-President of the Cha
in 1974. Mr Sheth is a Fou
Director and at present C
man of the Great Eas
Shipping Co. Ltd. which is
second largest private se
shipping company.

Mr Raj Mohan Bhandari
recently been appo
Deputy Managing Dire
Dunlop India Limited.
Bhandari is the first Indi
take charge of the Comp
production facilities as De
Managing Director (Wo

Mr M.L. Capoor, wh
responsible for Dunlop In
purchasing activities, ha
cently been appointed a w
time director of the comp
Mr Capoor is a past Pres
of the Materials Manage
Association of India (19
and was elected Treasur
the Asian Regional Purch
Association at the First
Congress on Purchasin
Manila in 1971.

Mr Harish Mahindra
been unanimously electe
the President of the Feder
of Indian Chambers of C
merce and Industry for
year 1975-76. His pred
nant interest is steel and
the Chairman of Mah
Ugine Steel Co. Ltd.

Mr B. Himatsingka, M
ing Director, India Ch
Limited has been declare
elected unanimously as P
dent of the National
ance of Young Entrepre
(NAYE) for a two year
ending March 31, 1977.
Himatsingka is also Pres
of the Indian Che
Manufacturers Associatio

COMPANY AFFAIRS

Trading

ES MOVED in a narrow
in dull trading in Stock
ets last week. Shares, in
al, drifted downward on
disinvestments and lack
pport even at lower levels
pts at rally proved short-
as operators were inclined
ok profits at improved
. In the absence of any
indication about the
dment to Dividend Act,
r corporate reports failed
press the market. The
market's real problem, of
e, is altogether different.

is the higher interest rate
ture which has under-
d the cult of equity. No
of course will go in for
ies when savings can be
ted more profitably with-
any risk whatsoever else-
e say, company deposits.
e is little chance of any
tion in interest rates in the
future. Hence no easy
for the stock market.

uities fluctuated both ways
a restricted turnover,
he Bombay Stock Ex-
ge last week. Opening on a
ued note prices of leading
ies further eased on bull
dation in the first part of
eek but prices of selected
s improved modestly on
cement buying and re-
d short-covering. The
concluded on a hopeful
Share values moved
ways in an irregular
on in Lyons Range giving
mpression that the ope-
s were being forced to
t to trading despite
reluctance. No doubt
were hesitant to extend
commitments and as such
urnover was comparatively
. There was little change
e general trading pattern
e Madras Stock Exchange
g the week. Enquiries
were few and the turnover was thin.

Bombay Dyeing

Despite power cut and strike in the early part of 1974 Bombay Dyeing and Manufacturing Company has fared extremely well on all fronts during the year, its sales, profits and exports exceeding the previous year's performance by considerable margins. Its turnover crossed the Rs 50-crore mark and touched the peak figure of Rs 51.32 crores, thereby recording a handsome gain of Rs 6.36 crores, over 1973. Its exports too shot up to Rs 15.25 crores, registering a phenomenal rise of about 69 per cent over the preceding year. Gross profit was also substantially higher at Rs 4.29 crores as compared to Rs 3.65 crores in the earlier year,

The directors have proposed a final dividend of Rs 2 per share, which together with the interim of one rupee per share, makes a total of Rs 3 per share or 12 per cent as against 20 per cent paid for 1973. In the event of the Dividend Act being modified or amended before the annual general meeting scheduled for April 2, 1975 it is the intention of the board to recommend a final dividend at the permissible rate but not exceeding 12 per cent. In the current year with power cut, slack export demand and domestic prices being 20 per cent below the higher levels of 1974, the Chairman Mr Neville N. Wadia has predicted that the company's profits in 1975 will be substantially below 1974. To arrest the decline in profits, the company is making an all out effor to improve its efficiency, economise wherever feasible and postpone any further capital expenditure.

Standard and Chartered Banking

For several years the standard and chartered Banking Group has been actively pursuing a policy of selective expansion in Europe. This has resulted in the establishment of branches in Paris and Milan, representative offices in Madrid and Frankfurt and the acquisition of a bank in the Netherlands. Further branches and offices are to be opened during 1975 and of these, a representative office was opened recently in Copenhagen. Following Denmark's entry into the European Economic Community and the consequent relaxation of rules governing the operations of foreign banks, a small number of foreign banks have applied to establish a branch in Copenhagen. In the case of Standard and Chartered, however, it has been thought preferable to open a representative office in the first instance and a decision concerning the opening of a branch will be taken shortly.

In the meantime, Mr Tarben Friis, the groups first representative will be actively engaged in marketing the services of the Group in Denmark and will extend his area of representation to cover Norway, Finland and Sweden. Although the Scandinavian countries trade principally between themselves and the rest of Europe an increasing proportion of trade is taking place with African and Far Eastern countries as well as the provision of important aid programmes in these areas. However, since it has been the policy of all the Scandinavian governments to discourage domestic banks from operating abroad, only a few overseas branches exist and the bulk of foreign trade finance is handled through correspondent banks and associated companies. Thus there will be scope in this field of business for Standard and Chartered Banking Group with its extensive network and experience of local conditions and, indeed, the Group in London has been approached by several Danish companies.

The Representative will be able to offer advice and assistance to overseas companies engaged in or contemplating business in Scandinavia, although the office will not itself undertake banking transactions.

Warner Hindustan

Warner Hindustan has reported higher sales, profits and exports during the year ended November 30, 1974. Its net sales shot up to Rs 8.34 crores from 6.39 crores from earlier period of 11 months while gross profit jumped to Rs 145.71 lakhs from Rs 122.69 lakhs in the previous year. The directors have recommended an equity dividend of 11 percent on the enlarged capital resulting from the three for ten bonus issue. In 1972-73 the company paid an equity dividend of 18 per cent. The company has made remarkable progress on the export front, its exports during the year being significantly higher at Rs 46.53 lakhs as compared to a mere Rs 9.31 lakhs in the preceding year. The substantial improvement in exports has been largely due to sizeable despatches of its products to Bhutan, Nepal and Sikkim.

The directors have enhanced all allocations to reserves. The appropriation to depreciation reserve was stepped up from Rs 21.89 lakhs to Rs 23.75 lakhs, to development rebate reserve from Rs 3.13 lakhs to Rs 3.86 lakhs and to taxation from Rs 60.51 lakhs to Rs 74.00 lakhs. The net profit after all these provisions amounted to Rs 44.10 lakhs as against Rs 37.16 lakhs in 1972-73. The proposed equity dividend will absorb Rs 14.01 lakhs.

Larsen & Toubro

The Board of Directors of Larsen & Toubro Limited has decided to offer rights shares to shareholders in the ratio of one equity share for every four equity shares held. The rights shares will be issued at a premium of Rs 6 each over the nominal value of Rs 10 per share. An amount of Rs 8 per share (Rs 5 towards the capital and Rs 3 towards the premium) is payable on application in June 1975, and the balance of Rs 8 is payable before December 31, 1975. All 14,90,679 shares proposed to be issued as rights will qualify for full dividend for the year ending March 31, 1976. Further, in order to facilitate payment for the rights, the directors are considering the declaration of an interim dividend for the year ended March 31, 1975 subject to the sanction of the government of India. The books of the company will be closed from April 2 to April 19, 1975.

Mahindra and Mahindra

Mahindra and Mahindra has suffered a setback in its working during the year ended October 31, 1974. Although its turnover has improved by about 13 per cent from Rs 49.71 crores to Rs 56.18 crores, gross profit has recorded a sharp decline by about 30 per cent to Rs 2.93 crores from Rs 4.19 crores in 1972-73. Out of the gross profit, the directors have appropriated a sum of Rs 113 lakhs to depreciation reserve, Rs 4 lakhs to contingency reserve, and Rs 30 lakhs for taxation as against Rs 122 lakhs, Rs 11 lakhs and Rs 108 lakhs provided respectively in 1972-73. This leaves a net profit of Rs 1.46 crores as compared to Rs 1.78 crores in the previous year. The directors have recommended an equity dividend of nine per cent for 1973-74 as against 14 per cent paid for the previous year.

Several factors combined to make the operations of the automotive division difficult. Budgetary contraction both at union and state levels, aggravated by substantial increase in excise levies and inflation pushing up production costs at all levels, resulted in a perceptible fall in demand for vehicles. On top of it, the sharp increase in the cost of petrol substantially increased operating costs. All this inevitably took its toll in a general lowering of demand, thereby compelling the division to curtail production during the year. Despite the spiralling cost of bought-out components and raw materials, there was no corresponding increase in the selling prices of vehicles for virtually three quarters of the year, as it was only in August 1974, that government withdrew its earlier restrictions on adjustment of selling prices. All these factors were responsible for the drop in the gross profit of the company.

Due to fall in demand for petrol driven vehicles, production had to be curtailed from 14,216 vehicles in the previous year to 12,259 vehicles during the year under review. The operation of the steel division continued to be successful in all the three sectors of its activities, i.e. sale of alloy and special steel, import of critical categories of steel materials which are domestically in short supply and handling of steel materials both of imported and indigenous origin from the steelyard at Calcutta.

The instrumentation division ended the year with a 44 per cent growth in income. Although construction of the new factory of the electronics division at Nasik has been completed, production was delayed due to late receipt of import licences. The machine tool division, too, had a satisfactory year. The company's export performance showed further growth from Rs 233 lakhs to Rs 360 lakhs.

News and Notes

Owing to power difficulties, **Rathi Gases** has decided to shift its plant from Ghaziabad (U.P.) to Alwar, an industrially declared backward area in Rajasthan. After working out details of the sources of funds, the company has arranged for term loans of Rs 28.50 lakhs and Rs 12 lakhs respectively from the Rajasthan Finance Corporation and State Bank of Bikaner and Jaipur. The Rajasthan State Industrial and Mineral Development Corporation has also agreed to subscribe to 11 per cent cumulative redeemable preference shares worth Rs 2.50 lakhs and the promoters have been asked to pay a shortfall of Rs 1.50 lakhs towards the shortfall an unsecured loans at a ve nominal interest rate.

Voltas has received a Co tract valued at approximate US $1 million from the Grou Water Development A ministration, Ministry Agriculture & Agrarian R forms, Baghdad, Iraq, for t supply of 10 Nos. VOLLA Waterwell Drilling Rigs alo with other operating acc sories and equipment. Th contract was awarded to Ind on a global tender and agai intense competition from t USA, Europe and the USSR

Scindia Steam Navigati Company Ltd. will be shor catering to the trade from E Coast of India to East Afric Ports. The trade will be reg larly covered for our expo to Kenya, Tanzania a Mozambique. The service been introduced in collabo tion with Bank Line who h been solely covering the tr heretofor. Henceforth th will be regular sailing in al nate months from Scind and Bank Line. Scindia's be the first to sail to this a by end March 1975 from C cutta.

The Asiatic Society, premier institute for rese and knowledge for nealy centuries, has awarded Durga Prasad Khaitan Me

EASTERN ECONOMIST

Budget Number

EASTERN ECONOMIST dated March 7 is a special number devoted to a discussion of the central budget. As in the previous years, this Budget Number presents an analysis of the budget proposals and a study of the budget documents in the larger economic context as well as in specific details. This issue includes relevant budget literature and statistics. Priced at Rs 10 per copy (postage extra) this special number is on sale with leading booksellers and news agents. Copies can also be had from the office of the *Eastern Economist Limited*, *Uco Bank Building, Parliament Street, New Delhi-110001*. New subscribers, who remit the annual subscription of Rs 100 before April 30, 1975 will also be entitled to receive a copy of this Budget Number free of charge.

old Medal to Mr V. R. , Chairman, United mercial Bank, for his ficant contribution in the pment of industries ociety through the agency nking. Mr Desai receiv- e award at the Society's al meeting held recently atic Society Hall, Cal- . At the function Dr . Sethna, Chairman, ic Energy Commission, among others, to receive Asiatic Society awards.

w Issues

order to meet the in- ed demand, **Gangappa Ltd** has embarked upon 76 lakh expansion ne to enhance its licensed city from 900 tonnes to tonnes per annum of r enamelled copper wires paper covered wires and s. To meet a part of the of the expansion the com- is offering 171,750 equity s of Rs 10 each and 7,500 er cent) redeemable cumu- preference shares of Rs ach for cash at par to the c for subscription. The cription list opened on h 19 and will close on h 29 or earlier but before March 22.

c capital outlay on expansion scheme, ding working capital irements is estimated s 76.11 lakhs. It will financed by the present ic issue of Rs 24.681 lakhs, loans of Rs 34 lakhs from ncial institutions and in- al cash accruals and pub- eposits of Rs 17.43 lakhs. company has consistently tained its record in res- of sales and profits. It ared a dividend of 12 per for the year ended June 1974 and is confident of aring a reasonable divi- on the enlarged capital e coming year. It hopes sue bonus shares in about to three years.

pper India Trading Co. (P) a pioneer in automobile es and accessories, was nded in 1920. By the late s Upper India had gained ery comfortable position he automotive trade. By 1956 the management had the foresight and vision of entering into the manufacturing field. In 1958 a new company styled Upper India Bearings Pvt. Ltd. was started and a plant was erected at the Guindy Industrial Estate, Madras. With a nucleus thus created, things started moving fast. Collaboration agreements were signed with a reputed West German Organisation, and the plant went on stream in early 1960.

Initially Upper India were manufacturing thick-walled bearings using the centrifugal casting process. With demand outstripping its production, a second plant was set up at Thoraipakkam, near Madras. After the termination of the technical collaboration in 1968, Upper India launched a thin-walled bearings and split bushings with 100 per cent indigenous know-how. It is now enlarging its capital in order to expand its manufacturing operations. It has already received an industrial licence for manufacturing 30 lakhs bearings and bushings. The new plant will be located at SIPCOT Industrial complex, Ranipet, Tamil Nadu and the company will be entering the capital market shortly for raising resources for implementation of the project. According to estimates there will be a gap of 150 lakh bearings and bushings between demand and supply by 1978-79. Upper India who will by then will be operating at the full rated capacity of 30 lakhs bearings and bushings expects no difficulties in marketing its products.

Union Home Products, Mangalore, Karnataka State, founded in 1972 will soon be entering the capital market to raise Rs 25 lakhs out of Rs 90 lakhs required by it for establishing a modern unit for the manufacture of detergent products. Headed by Mr Vasant M. Pai, considered as one of the top experts in the country in the soap and detergent products manufacturing techniques, this unit is being sponsored by well known business house of "Kasturi" in Mangalore who have been in the soap manufacturing line for more than 25 years. The company has been licensed further to manufacture 10,000 tonnes of detergent products. It is interesting to note, however, that the letter of intent was given to UHP in April 1974 and the plant is expected to go into production in May 1975, that is, within one year.

UHP has been marketing Boon, the detergent washing cake, in Tamil Nadu and Karnataka since 1972. With the increased capacity, UHP will serve the needs of the consumer market more fully in the South. UHP's manufacturing programme already includes manufacture of ZEN, the detergent washing powder, and ZIG, the cleaning powder, which are already in the market. More consumer products such as body talcum powder, a range of shaving creams and tooth paste are also in the manufacturing programme.

Mindia Chemicals promoted by Monsanto Co of the USA, will be entering the capital market by the end of May to raise 1.86 crores in equity shares of Rs 10 each to meet a part of cost of its Rs 9.40-crore project for the manufacture of rubber chemicals. The company's plant to be located in the trans-Thana Creek industrial area near Bombay is likely to go on stream early in 1976. The company has been granted an industrial licence for manufacturing annually 3,300 tonnes of rubber chemicals and 3,400 tonnes of intermediates from basic raw materials. The two basic types of rubber chemicals to be manufactured by the company are antioxidants and accelerators which are used principally in the manufacture of tyres as also by other rubber and rubber products manufacturers. The technical know-how and collaboration for the plant will be provided by Monstanto Co. of the USA.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Thanjavur Textile	March 31, 1974	15.0*	12.0
Porritts and Spencer	Sept 30, 1974	11.0**	Nil
Same Dividend			
Rohit Pulp and Paper Mills	March 31, 1974	12.0	12.0
S.B. Joshi	June 30, 1974	Nil	Nil
Shah Construction	June 30, 1974	Nil	Nil
Reduced Dividend			
Jeypore Sugar	June 30, 1974	12.0	20.0
Rustam Jehangir Vakil	March 31, 1974	12.0	24.0
T. Maneklal Mfg.	May 31, 1974	12.0	20.0
Ugar Sugar Works	June 30, 1974	Nil	15.0
Ralliwolf	August 31, 1974	5.0	20.0
South India Steel & Sugars	June 30, 1974	Nil	12.0

*On increased capital.

**Maiden dividend.

RECORDS AND STATISTICS

ESCAP's New Delhi declaration

AT ITS 31st session, which was held in New Delhi from February 26 to March 7, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) adopted a declaration calling upon the member-countries to "display the necessary political will" to accord the highest priority to production of food and economic and social development of the most disadvantaged. Known as the New Delhi declaration, it was adopted at a plenary session attended by 39 countries.

The declaration stressed the need for the maximum utilisation of regional skills, capabilities and expertise so that regional cooperation could be strengthened. It also recommended cooperative effort among or between countries of the region to solve the fundamental problems relating to the commodities and raw materials as related to their trade, transit facilities and development as appropriate." The following is the full text of the declaration.

Recalling General Assembly resolutions 3201 (S-VI) and 3202 (S-VI) on the Declaration and Programme of Action for the Establishment of a New International Economic Order as adopted;

Further recalling Commission resolution 140 (XXX) containing the Colombo Declaration to intansify action in the identified priority areas, to work towards an integrated approach to economic and social development, and to assist sub-regional and other forms of joint efforts within the overall framework of regional cooperation;

Convinced that the progress made in implementing the decisions of the Commission at its last session and in securing a cohesive and multi-disciplinary approach to the developmental problems of the region, particularly through an action-oriented programme of work, will further the establishment of a new international economic order;

Aware of the importance of the thirty-first session of the Commission which is being held at the mid-point of the Second United Nations Development Decade and that this session provides the first opportunity to formulate the regional contribution to the establishment of a new international economic order;

Having reviewed the progress made during the Second United Nations Development Decade;

Concerned at the substantial shortfall in the attainment of the objectives of the strategy, the unsatisfactory pace of development, and in particular, lagging agricultural production and continuing food shortages, low levels of industrial growth, a deterioration in the terms of trade and balance of payments problems, falling prices of some commodities and rising import costs, all of which affect most developing countries of the region;

Aware that these problems are often due to or aggravated by historical circumstances including alien and colonial domination and neo-colonialism in all its forms, and by imbalances in the distribution of food and raw materials, periodic natural disasters, global inflation along with recession in some major industrial countries, recurrent instability of the international monetary systems, and high prices and global shortages of essential goods and inputs, and rapid rates of population growth;

Mindful of the need to give special attention to the poorest people within developing countries and the least developed including the land-locked and island countries and the most seriously affected countries;

Reaffirming the ardent wish of the peoples of the region to continue to develop their national economies in accordance with the principles of independance and self-reliance, and to promote international cooperation on the basis of equality and mutual benefit;

Recognizing that a high rate of economic growth is in itself not sufficient and that it is the distribution of wealth between regions and peoples and its impact on the environment and quality of life that determine the welfare of the people;

Motivated by the common determination to end poverty in the region and to provide to its people a richer and fuller life;

Further recognizing the imperative need for intensifying regional cooperation in all sectors of economic and social activities with the objective of promoting increasing self reliance individually and jointly among the developing countries of the region;

Having considered the report of the Regional Post-World Population Conference Consultation, which placed emphasis on population as an important factor in the integrated development planning;

Also having considered General Assembly resolution 3344 (XXIX) stressing the importance of population policies and programmes;

Conscious of the significant role of technology in the deve lopment of the national econo mies of the region and its im mediate relevance to all sector of economic activity;

Believing that the resource of the earth need to be conser ved and utilized in the mos efficient manner;

Appeals to the internationa community and member-state of the region to rededicat themselves to and display th necessary political will for th attainment of the objective of the Development Decad and growth with social justice that the highest priority shoul be given to production of foo and economic and social deve lopment of the most disadvan taged;

Calls upon member-cou tries to intensify their effo for stepping up food outpu particularly through co-oper tive measures, with a view achieving self-sufficiency food through production a effective utilization of agric tural inputs, improvements the required infrastructure a full utilization of potential rain-fed areas for food produ tion with emphasis on impr vement of well-being of sm farmers and agricultural la ourers, through *inter-alia* a propriate land reforms, a also calls upon the int national community to privi all possible assistance to developing countries to ena them to achieve this objecti

Recommends to the de loping member-countries accelerate the implementati of programmes for provid education, health, housing other social services to common man and bring ab rural development throu active participation of the p ple in the planning and im mentation process;

Invites member countries continue their efforts to eff tively solving the continu and critical balance of p ments difficulties with the lest cooperation and assista of developed countries others who have the resour at the same time apprecia the steps taken by the In onal Community to find tions to those difficulties;

Recommends that the deve-ing countries, whenever and erever appropriate increas-ly utilize the technologies eloped by them suited to ir needs and their domestic ural resources through gen-e technological cooperation;

Further recommends co-erative effort among or bet-en countries of the region to solve the fundamental problems relating to the commodities and raw materials as related to their trade, transit facilities and development as appropriate;

Invites member-countries to explore possibilities for intensifying regional cooperation for the development of shipping and ports;

Urges the maximum utilization of regional skills, capabilities and expertise in the activities of the Commission particularly in the implementation of the intergrated programme of work, especially in the priority areas;

Declares that the countries of the region should approach their various problems in spirit of expanding sub-regional and regional understanding and growing international cooperation and that the deliberations of the session of the Commission should constitute a contribution to the early establishment of a new international economic order and to a new development strategy by focussing special attention on the common people, improvement in their quality of life and condition of their living through growth with social justice.

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rugs and harmaceutical ndustry

IE UNION ministry of Petro-um and Chemicals constitut- early last year a committee nder the Chairmanship of r Jaisukhlal Hathi to sug-st ways and means of ensur-g adequate availability of sential drugs and common ousehold medicines at re-onable prices, particularly the rural areas, and also recommend guidelines for rapid growth of the drugs nd pharmaceuticals industry uring the fifth five-year lan. Reproduced below is e report of this Committee oncerning the former issue. he report was submitted to he government recently.

The Committee on Drugs nd Pharmaceuticals Industry as constituted by the minis-y of Petroleum and Chemi-als by the resolution dated ebruary 8, 1974 (annexure C) o examine the varions aspects f the drugs industry. One f the terms of reference was to recommend measures for roviding essential drugs and ommon household remedies o the general public especially n rural areas."

The committee during the ourse of their discussions, articularly on the availabi-ity of essential medicines in arger quantities, felt that al-hough the question of sub-stitution of brand names f the medicines marketed by the industry by generic names was not a specific term of reference for this Committee, the subject follows clearly from the other terms of references, such as reduction/rationalisation of prices of formulations for the consumers, making the essential drugs available to the general public, attainment of leadership role by the public sector, promoting the growth of the Indian sector etc.

Important Facets

Besides, the question was also directly linked with many important facets of the industry such as drug patents, irrational practice of medicines, excessive use of ingredients in multidrug formulations, proliferation of such preparations and beneful influence on the medical profession etc. of medicines marketed under brand names. Keeping the above aspects in view, the Committee decided that this question should also be looked into by the Committee. The Committee also felt that the view of eminent medical personnel from the different parts of the country should be obtained in this regard. Accordingly, a panel was set up with the following members:

Dt Ranen Sen, Member of Parliament.; Mr P. S. Ramachandran, Drugs Controller (India) DGHS, New Delhi. Dr B. Shah, Deputy Director General (DGTD), New Delhi.; Dr A. B. Chowdhury, M.B., Ph. D., F.A.M.S., F.N.A., Director, Calcutta School of Tropical Medicine, Chittranjan Avenue, Calcutta—17.; Dr B. Ray Chaudhury, M.D. (Cal) FRCP, Ph. D. (Edin), Associate Professor of Medicine, Institute of Post Graduate Medical Education and Research, 22-Lower Circular Road, Calcutta—17.; Dr K.L. Wig, M.B.B.S. (Pun.) FRCP (London) MRCS (England) D. T. M. & H. (London) FAMS—79, Sundar Nagar, New Delhi.; Dr S. Padmavati, Director, Principal Maulana-Azad Medical College, New Delhi.; Dr K. G. Nair, MD (Bombay) Ph. D. (Chicago) FACC (USA) FICA (USA). Director-Professor of Medicine, Head of the Deptt. Cardiology and Radio-Isotope Unit, K.E.M. Hospital and Seth G.S. Medical College, Bombay.

Dr B. J. Vakil, Hony, Professor Gastroenterology, Grant Medical College, Hospital, Bombay.; Dr K.V. Thiruvengadam, B.Sc., MD, FAMS, Professer of Medicine and Vice Principal, Stanley Medical College Physician, Government Stanley Hospital, Madras.; Dr B.B. Gaitonde, M.D. M.S.C. (Med), F.A.Sc. Director, Haffkine Institute, Bombay..........Convenor.; Dr P.R. Gupta, Adviser (Drugs) in the ministry of Petroleum & Chemicals was also associated with this Panel.

The terms of reference for this Panel were as follows:

To recommend measures for providing essential drugs and common hosehold remedies to the general public especially in the rural areas, and Whether it would be in the national interest to substitute brand name by generic names and if so, the manner and extent to which be done.

Dr K.L. Wig, regretted his inability to work on this Panel, because of his preoccuption with other assignments. Dr B. Shah also informed his inability to join this Panel as he was proceeding on leave.

The Panel met in Bombay on June 8 and 9, 1974, at the Haffkine Institute, and submitted its report on June 29, 1974, to the chairman of the Committee. A copy of the Panel's report is attached (annexure D).

The Committee on Drugs and Pharmaceuticals Industry at its meetings/on July, 25, 1974, and January 21 and 22, 1975, considered the Report of the Medical Pannel and adopted the same with some modifications.

Supply of Essential Drugs

Keeping in view the essentiality of the medicines their need and the availability of the concerned bulk drugs/active ingredients, the Committee, after due consideration, drew up a revised list (Annexure A) of medicines which in its opinion are extensively used in medical practice, both in urban and rural areas. In order to make these essential drugs available at a reasonably low price thorughtout the country, the Committee recommends the following measures:

(i) Production of the drugs/medicines as identified in Annexure A, should be given top priority for the manufacture of the relevent bulk drugs/active ingredients.

(ii) The ministry of Petoleum and Chemicals should take all such measures, which will increase the production of these drugs expeditiously. Special assistance, priority for power supply, other incentive schemes etc. may be given to entrepreneurs, preferably Indian, who come forward to undertake production of these essential drugs. In short, if there are any impediments, these should be immediately looked into and removed.

(iii) In case of some drugs, the technical know-how is already available, but there is a production shortfall. More entrepreneurs should be encouraged to take to production of such drugs. In case of those drugs for which technical know-how is not available in the country, special incentives may be given to National Laboratories to develop the know-how on a time-bound basis. If necessary, the foreign technical know-how may also be obtained immediately.

(iv) To make these drugs available in rural areas, the distribution system must be rationalised and decentralised in regard to household remedies and commonly used medicines which do not require the prescription of doctors. For this, assistance should be sought from the postal department, Indian Oil Company depots, kerosene depots. Cooperative societies should be encouraged for the distribution of drugs in rural areas. Packaging details should be looked into. Tablets should be supplied in strip packings. Liquid preparations should be supplied in bottles fitted with pilfer proof closures. Export of the bulk drugs required for the production of medicines mentioned in (Annexure A), as well as their formulations should be so regulated that there is no shortage of these essential drugs in the country at any time.

(v) At present, there are a number of difficulties, especially in small towns and rural areas, to establish pharmacies for dispensing of drugs. One of the major difficulties is the non-avilability of trained pharmacists. According to the Drugs Act, those who possess a Diploma in Pharmacy can only be licensed as dispensers. The diploma course i quite lengthy and th remuneration paid t the dispenser is no attractive. It was considered that a short-term need-oriented course, after matriculation, may be institute for young people, wh

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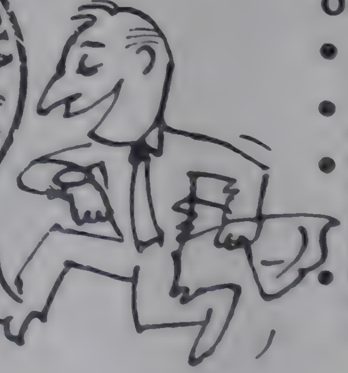
davp 74/453



could take up the job of distribution of these medicines in the rural areas and other remoter parts of the country. The Committee recommends that steps should be taken to revise the present syllabus of training of the pharmacists. The Pharmacy Council should be approached to tailor the course to suit the needs of the country. An intensive, need oriented course of a short duration should be instituted for training of dispensers, who then could be licensed to establish pharmacies and drug stores in smaller towns and rural areas.

vi) Primary Health Centres should be given adequate financial assistance for purchase of drugs, so that rural populatioa also gets the same quality drugs in adequate amounts as in urban areas.

ianisation in Drugs

The question of substitu- ı of brand names by gene- names was extensively dis- sed. All facets of the pro- n, such as Indianisation of nd names, impact on drug es, bio-availability, quality drugs, enforcement of drug trol, multiple ingredient parations. export of drugs, lling difficulties, impact small-scale industry, patent ts, distribution system, ac- tance by the medical pro- ion, role of distributors pharmacists, effect on the wth of pharmaceutical in- try, difficulties and inco- iance in the use of tongue- sting generic names etc., e discussed in detail.

he Committee also met the esentatives of various or- isations such as Indian ical Associatian (IMA), anisation of Pharmaceuti- Producers of India (OPPI), ian Drug Manufacturers ociation (IDMA), All India nufacturer's Organisation MO), members of the Development Council for Drugs and Pharmaceuticals. etc., to elicit opinion on this very important question of far reaching significance. The committee also considered the memoranda submitted by various state governments, public sector and others including small-scale sector undertakings and different associations mentioned above.

The Committee had before it the report of the medical panel recommending the abolition of brand names in a phased manner starting with specific drugs identified by the panel.

Generic names Worldwide

Throughout the world, and in our country as well, a medical student receives his training on drugs under generic names. In fact, in all text books of therapeutics as well as pharmacology, drugs are mentioned by generic names always. In the interest of rational practice of medicine, therefore, it is in the fitness of things that medical practitioners should continue to use prescribe a drug under generic name, so that they are fully conscious of the type of therapy prescribed for their patients. More often, the practising physcian is likely to be unaware of the active ingredients of a drug prescribed under brand name. Two branded products containing the same or similar active ingredients may be prescribed to patients resulting in overdose, and consequent toxicity/damage to the patient's health.

Further, many brand names are phonetically similar creating confusion, which can be seen from the following examples:

Cornil and Corlin; Codogin and Codopin; Detazone and Deltazyne; Diaginol and Dianabol; Dicazine and Dicarzen; Etadryl and Metagyl; Methicol, Methiscol, Methiolin, Methionine etc.

To bring about uniformity in names, the WHO issues periodically a list of non-proprietary names with the recommendation that these be adopted by national organizations. The intention here is to prevent confusion and chaos in the field of prescribing medicines. It is also necessary to point out that all national formularies including the Indian National Formulary, prepared by the most eminent leaders of medical profession in this country, list all drugs and formulations under generic names or pharmacopoeial names. Further, a large number of very important and potent drugs such as insulin, sera, vaccines, antibiotics, digitalis glycosides are mostly marketed under generic names without any difficulty or disaster.

It has often been alleged that the branded products containing the same ingredients differ to a very great extent in their prices and the products bearing generic names are decidedly cheaper. Several examples have been cited such as aspirin and aspro, paracetamol and metacin etc. It is reasonable to accept that promotional efforts and expenses incurred by the manufacturers to establish their brand names are commensurate with higher prices. In fact, in the larger context, this is not in the best interest either of the manufacturer or the patient. If the same money is spent on better standardization, quality control and research and development, the national gains will be substantial.

Two Categories

The drugs which are sold under brand names fall under two categories: (i) those which contain a single ingredient , and (ii) those which contain multiple ingredients.

A large number of single ingredient drugs are pharmacopoeial but are still being marketed under brand names. Since there is no control over the numcer of brand names that can be given to a single drug formulation, we have a state of confusion with respect to brand names. Thus, a single drug, such as asprin, paracetamol or nikethamide, is being marketed separately in this country under several brand names. This is not in the best interest of either the medical profession or of the patient, who is often led to believe that one branded drug is different from the other and possesses superior values. In affect, this is not the case and the patient is unwilingly made to pay higher prices for his treatment.

Dominance of Drug Market

In the case of multi-ingredient preparations, the situation is still worse. Brand names have been responsible for putting up a large number of unnecessary and often irrational formulations in the market. In fact, the organised sector has maintained dominance over the drug market principally through their branded products containing multiple ingredients. Many examples can be given to illustrate this point. This has resulted in excessive use of drugs particularly under the name 'tonics' containing vitamins in evcessive quantities. Multiple drug combinations in amounts far in excess of what is required result in colossal national wastage of drugs. This could be substantially reduced if the brand names are eliminated. In this respect, it is to be emphasised that the entire British Health Service runs on the British National Formulary preparations, which are by and large, single ingredient drugs, rather than multiple ingredient preparations.

The Food and Drug Administration of the United States(FDA) appointed a committee of experts drawn from National Research Council (NRC) and National Academy of Sciences (NAS) to evaluate the efficacy of over 3,000 preparations marketed in the United States. It was proved that a majority of these do not possess therapeutic efficacy and were directed to be either withdrawn or to provide further evidence of their effectiveness. There is thus a case for controlling multiple ingredient branded products, marketed in this country, particularly by the organised sector, and promoted rigorously. This, in itself, will serve to loosen the hold of the organised sector on the pharmaceutical industry to a great extent.

The medical profession has acquired the habit of prescribing branded products. This has unfortunately come out of tradition of several years and not by virtue of training in medical colleges. At no stage brand names are introduced in the medical curriculum. The brand names have a corrupting infiuence on the profession. A doctor more often patronises branded product and, unwittingly therefore, makes his patient pay more than necessary. This is a matter which the medical profession should think over very seriously.

Two-fold Effect

A number of new drugs are being introduced in this country under brand names. This has a two-fold effect. A company with aggressive sales promotion establishes its new product under a brand name and reaps the benefits during the period the patent is valid.

After the patent period is over, having established the brand name, it continues to reap this harvest much to the disadvantage of other enterpreneurs. Thus, in spite of the modification of the Patents Act, the disadvantage to the Indian enterpreneur continues in a large measure. Many examples of this can be given. Chloram-phenicol is marketed under the brand name of chloromycetin and nikethamide is marketed under the brand name of coramine. In both these cases, the process patents have expired. However, the concerned pharmaceutical firms manufacturing these drugs continue to derive benefits by virtue of their established brand names.

It is often argued that the quality of a product is assured because of its brand name and substitution of brand name by generic name will result in lowering of standards. Maintenance of quality is the responsibility of the manufacturer and it does not go with the brand name.

Brand names misbranded

Scrutiny of the total number of sub-standard, misbranded and spurious products reported by various drug control organisations and the drug testing laboratory of the government of India at Calcutta will reveal that there are more instances of branded products being misbranded or, therefore, spurious. There have been no instances where a product marketed under generic name has ever been reported to be spurious. Thus, branding of products promotes a tendency to prepare misbranded or spurious products.

Quality must be maintained and every effort must be made to see that all drugs introduced in the market onform to pharmacopoeial or prescribed standards. Very often, it is stated that the branded products of certain firms have standards higher than those prescribed by the pharmacopoeia. Pharmacopoeial standards are adequate enough to protect the interests of the patient. If higher standards are going to result in higher pricing, which, is said to be the case with respect to some branded products marketed by a few firms in the organised sector, there is no advantage to be gained. However, as long as the quality control organisation is properly strengthened, there is no reason to fear that a sub-standard product will be marketed. It is, therefore, absolutely essential to achieve high standards of quality control throughout the length and breadth of the country, irrespective of whether the drugs are going to be marketed under generic or brand names.

It is often argued that bioavailability is an important factor in the efficacy of a drug. The WHO technical series report on bioavilability has highlighted different facets of this problem, particularly the fact that as yet there are no established and accepted methods for evaluation of bioavailability of dtfferent brands of drugs. A drug manufactured by a firm, may differ from batch to batch in its bioavailability. Bioavailability is particularly important in the case of oral preparations and that too with respect to only a very few drugs. It cannot be denied, that in case of drugs like digoxin, phenytoin etc. bioavailability is important, but this has nothing to do with brand or generic names. The drug control authorities will have to exercise effective control over the standards of such drugs which will need bioavailability studies as per recommendations of the WHO whether these drugs are introduced under generic or brand names.

In view of all the above considerations, it is clear that there is a strong case for substitutions of brand names by generic names. In the considered opinion of the committee it may not, however, be advisable to accomplish this change immediately. The medical profession has been traditionally used to prescribing drugs under brand names and a sudden shift may result in considerable confusion and difficulties for prescribing doctors. A sudden change may also affect the present distributions system. The manufacturers will also be faced with some difficulties with respect of labelling etc., if a sudden change is brought about. Steps will have to be taken to strengthen Drug Control organisations in various states in order to enable them to exercise vary rigorous control over the quality of drugs.

Change in Phased Manner

The Committee, therefore, is of the view that this change over from brand names to generic names should be brought about in a phased manner as recommended by the medical panel. In view of all the above considerations and taking into account the intricate facets of the problem, the following recommendations are being made:

(a) Brand names should be abolished in a phased manner.

(b) A beginning should be made for a change-over to generic names starting with the drugs mentioned in the Annexure B to this report. Mostly these drugs are already being marketed under generic names and their generic names are quite elegant.

(c) Drugs which are exported may be allowed to bear brand names.

(d) All supplies of single
ingredient drugs an
drugs included i
Indian Pharacopoei
for central and state
government institu-
tions and local bodie
should be tendere
and supplies mad
under generic names
At present, drugs
though tendered unde
generic names, ar
supplied under bran
names, and this shoul
be discouraged.

(e) All drugs other tha
those listed in th
Annexure B shoul
bear labels displayi
prominently the gener
names. Brand nam
may be shown
labels in a less con
picious manner.

(f) The Drug Controll
should, while granti
permissions, be reque
ted not to give reco
nition to brand nam
of new drugs. N
drugs should not
allowed to be market
under brand nam
when first introdu
into this country.

(g) Multiple drugs co
binations often c
taining drugs, par
cularly vitamins,
amounts far in exc
of what is required
presently marketed
India. The major
of such combinati
are irrational. Th
is a colossal natio
wastage of drugs
cause of such com
nations. The Dr

Control Administration should immediately go into the various drug combinations and take prompt measures to eliminate irrational drug combinations. No firm should be allowed to incorporate excessive quantities of any drug over and above what is required to go into the formulations for therapeutic and prophylactic purposes. Multiple-ingredient preparations. New types or multi ingredient preparations should not be allowed to be marketed hereafter unless they are mentioned in the National Formulary or pharmacopoeia and approved by the Drug Controller of India. If any amendment of the Drugs and Cosmetics Act and Rules is considered necessary for this purpose, this should be carried out.

(h) Non-proprietory names as recommended by WHO from time to time should be adopted.

(i) Bioavailability studies are important in cases of a few drugs, although this factor has recently been overplayed not always on rational basis. Facilities should be created in different parts of the country, so that the industry, both large and small-scale, can take advantage of such facilities to plan and conduct bioavailability and pharmacokinetic studies.

(j) In order to keep the medical profession, particularly the general practitioners, well- informed about new drugs and also to popularise the generic names, it is essential to take steps immediately,

(i) To revise the Indian National Formulary and make it up-to-date,

(ii) To publish journals on the lines of the Priscriber's Journals, U K. Medical Letter, USA, or Formulary Notes of Sri Lanka. Such publications will have to be under the control of an editorial board comprising leaders of the medical profession in the country consituted by the ministry of Health, government of India.

The Committee is of the view that from legal point of view there should be no difficulty in abolishing the brand names, Abolishing of brand names will entail first the amendment of the Trade and Merchandise Marks Act, 1958, and subsequently the Drugs and Cosmetics Rules.

Periodic Review

A periodic review of the impact of this step on the drug industry price and availability of medicines is necessary etc. so as to take suitable corrective measures, if required.

Apart from emphasising the needs for ensuring more rigid and uniform quality control throghout the country, the Committee also recommends to the govt. for early implementation of the recommendations made with regard to measures for providing essential drugs and common thousehold remedies especially in the rural areas.

While making the above recommendations, the Committee would emphasise that the recommendation regarding the change over from brand names to generic names has to be implemented cautiously and on a phased manner ensuring simultaneously the necessity of enforcing quality control on drugs and in particular the concerned recommendations made in the Interim report of the committee on 'Quality Control of Drugs'

The committee in concluding this report would like to place on record its deep and warm appreciation of the quick and excellent work done by the eminent doctors of the panel and in particnlar by Dr. B. B. Gaitonde, Director, Halfkine Institute, Bombay, who took special interest in this complex problem and finalised the Report in a very shorttime.

Annexure A

Tablets and Capsules (Granules included)

Name of the Product	Bulk Drug involved
Capsule Chloramphenicol—250 mg.	Chloramphenicol
Capsule Tetracycline Hydrochloride —250 mg.	Tetracycline, Hyd-rochloride
Tablet Iodochlorhydroxy Quinoline—250 mg.	Iodochlorhydroxy Quinoline.
Tab. Nitrofurantion—50 mg.	Nitrofurantion
Tablet Chlorpheniramine—4 mg.	Chlorpheniramine
Tablet Ferrous Sulphate—200 mg.	Ferrous Sulphate
Tablet Folic Acid—5 mg.	Folic Acid
Tablet Digoxin—0.25 mg.	Digoxin
Tablet Aspirin—300 mg.	Acetyl Salicylic Acid
Tablet Phenobarbitone—30 mg, 60 mg.	Phenobarbitone
Tablet Chlorpromazine—10 mg.	Chlorpromazine
Tablet Prednisolone—5 mg,	Prednisolone
Hexa Vitamin Capsules and Tablets	
(Each tablet or capsule contains):	
Vit. A—5000 I.U. Vit. D—400 I.U. Vit. B—2 mg Vit. B3—3 mg. Nicotinamide —20 mg. Vit. C—75 mg.	Vitamin A. Calciferol——(vitamin D2/Vit. D3 Thiamine Hydrochloride (Vit. B1), Riboflavine (Vit. B2), Nicotinamide Ascorbic Acid (Vit. C)
Tablet Vitamin B-complex, Prophylactic N.F.I.	
Vit. B. 1—2 mg Vit. B2—2 mg. Vit. B. 6—0.5 mg. Nicotinamide—25 mg. Calcium Pantothenate—1 mg. Yeast—100 mg.	Vit. B. 1, Vit. B. 2, Vit. B. 6—(Pyridoxine Hydrochloride), Nicotinamide, Calcium-Pantothenate, Yeast
Tab Vitamin B-complex with Folic Acid and Vitamin—C, therapeutic N.F.I.	
For Therapeutic Use	
Vitamin B-1=10 mg. Vitamin B-2=10 mg. Vitauin B-6=2.5 mg. Cal. Pantothenate=5 mg. Niacinamide=100 mg. Folic Acid=1.5 mg. Vit. c=150 mg.	Vit. B-1, Vit. B2, Vit B 6: Cal. Pantothenate, Niacinamide, Folic Acid, Viiamin-C.
Tab. Vitamin C—50 mg. 100 mg. and 500 mg.	Ascorbic Acid
Tab. Sulphadimidine—500 mg.	Sulphadimidine (synonym) —Sulphamethazine
Tab. Metronidazole—200 mg.	Metronidazole
Tab. Hydrochlorthiazide—25 mg. 50 mg.	Hydrochlorthiazide.
Tab. Reserpine—0.25 mg.	Reserpine.
Tab. Glyceryl trinitrate 0.5 mg.	Glyceryltrinitrate.
Tab. Analgin 500 mg.	Analgin
Tab. Antacid Dried Al. Hydroxide—120 mg. gel. Peppermit Oil=0.003 ml. Mg. Trisilicate=250 mg.	Al. Hydroxide, Mag. Trisilicate, Peppermint Oil.
Tab. Piperazine Citrate 300 mg.	Piperazine Citrate.

Name of the Product:	Bulk Drug invloved:
Cap. Tetrachloroethylene 1 cap. contain 1 ml. of the drug.	Tetrachloroethylene.
Tab. Tolbutamide 500 mg.	Tolbutamide
Tab. Thiacetazone (50 mg.) and Isoniazid (100 mg.)	Thiacetazone and INH
PAS/Sodium PAS/ Granules Tablets=500 mg.	Para-amino Salicylic Acid/ Sodium para-amino Salicylate.
Granules contain 80 per cent of PAS/Sod. PAS	
Tab. INH 100 mg. tab.	Isonicotinic Hydrazide.
Tab. Dapsone 100 mg. tab.	Dapsone
Tab. Chloroquine Phosphate 250 mg.	Chloroquine Phosphate.
Tab. Primaquine phosphate 2.5 mg. of base and 7.5 mg. of base.	Primaquine Phosphate.
Tab. Diethyl carbamazine citrate——50 mg. tab	Diethylcarbamazine Citrate
Tab. Anti-asthmatic:	Ephedrine Hcl. Phenobarbitone.
Ephedrine Hcl—10 mg.	Theophylline.
Phenobarbitone—7.5 mg.	
Theophylline—125 mg.	
Tab. Alkaloids of Ergot: 150 mg.	Prepared Ergot
Tab. of Vitamin A 6000 I.U. and Vitamin D(1000 I.U.)	Vitamin A and Vitamin D
Tab. Vitamin A 50,000 I.U.	Vitamin A
Tab. Vitamin D 50,000 I.U.	Vitamin D (Calciferol)
Tab. Milk of Magnesia 300 mg.	Magnesium Hydroxide
Tab. Paracetamol 500 mg.	Paracetamol
Tab. Quinine Sulphate 0.3 g.	Quinine Bisulphate
Tab. Phthalyl Sulphathiazole—500 mg.	Phthalyl Sulphathiazole.

Oral Contraceptives

(a) Ethynodiol Diacetate—1 mg; Ethinyl Oestradiol—0.05 mg.	Ethynodiol Diacetate, Ethinyl Oestradiol, Norgestrol.
(b) Norgestrol—0.25 mg. Ethinyl Oestradiol—0.05 mg.	

Injections

Penicillin

(a) Benzyl Penicillin Injection =500,000 units (b) Procaine Benzyl Penicillin Injection=250,000 units/ml. (c) Fortified Benzyl Penicillin Injection— =Procaine Benzyl Penicillin—300,000 units+Benzyl Penicillin 100,000 units/ml	Penicillin G
Injection Streptomycin Sulphate 1 gm.	Streptomycin
Inj. Emetine Hydrochloride—60 mg. of Emetine Hydrochloride/ml.	Emetine Hcl.
Inj. Atropine Sulphate 0.5 mg./ml.	Atropine Sulphate
Inj. Adrenaline Tartrate/Malate	Adrenaline Tartrate
Contains equivalent of Adrenaline 1 in 1000	Adrenaline Malate
Inj. Nor-Adrenaline Acid, Tartrate 1 mg./ml	Nor Adrenaline Acid—Tartrate
Inj. Dextrose Saline =5 per cent w/v =10 per cent w/v =25 per cent w/v =50 per w/v	Dextrose
Inj. Frusemide 20 mg./ml. of Frusemide/2ml. of water.	Frusemide

Name of the Product	Bulk Drug involved
Inj. Morphine Sulphate 10 mg./ml	Morphine Sulphate
Inj. Pethidine Hydrochloride 50 mg./ml.	Pethidine Hydrochloride
Inj. Paraldehyde	Paraldehyde
Inj. Prednisolone Sodium Phosphate 20 mg./ml.	Prednisolone Sodium Pho hate.
Inj. Tetanus Antitoxin 1500 I.U,, 10,000 I.U., 50,000 I.U.	Tetanus Antitoxin
Inj. Methyl Ergometrine Maleate 0.2 mg./ml.	Methyl Ergometrine Maleate.
Inj. Chlorphoniramide Maleate 10 mg /ml.	Chlorphoniramine Maleate
Inj. Aminophylline 250 mg./10 ml ampoule	Aminophylline
Inj. Oxytocin 6 units/ml.	Oxytocin
Inj. Chlorpromazine Hcl. 25 mg./ml.	Chlorpromazine Hcl.
Antivenom Serum (Polyvalent Crotaline Antivenine)	
Rehydration Fluid Dextrose in Sod. Chloride injection 25 per cent W/V	Dextrose and Sod.Chlorid
Injection Glucose Containg 5 per cent W/V	Glucose
Water for Injection	—
Inj. Phenobarbitone 200 mg./ml.	Phenobarbitone Sodium.
Inj. Mephonteramine Sulphate 15 mg./ml.	Mephonteramine Sulphat
Diphtheria-Pertussis-Tetanus Vaccine I.P.	Diphtheria Toxoid, Tetanu Toxoid, Pertusis-vaccin
Inj. Tetanus Toxoid I.P.	Tetanus Toxoid
Inj. Diphtheria Toxoid I.P.	Diphtheria Toxoid
Inj. Diphtheria Antitoxin 10,000, 20,000 Units	Diphtheria Antitoxin
Oral Polio Vaccine	Aqueous suspension sui able live-attenuated strain of poliomyelities viru type-I, II and III.
Inj. Insulin 20, 40 or 80 units/ml.	Insulin
Inj. Thiopentone Sodium 500 mg., 1 gm	Thiopenthal
Inj. Succinyl Choline Chloride 50 mg./ml.	Succinyl Choline Chlorid
Inj. Lignocaine 0.5 per cent, 1 per cent and 2 per cent.	Lignocaine Hydrochlorid
Inj. Vitamin B-complex N. F.I. Each ml: Vit. B1=10 mg. Vit. B2=2 mg. Vit. B6=2 mg. Niacinamide=2 mg. Vit. B12=10 mg. Panthenol=2 mg.	B1, B2, B6. Niainamid Cal. Pantothenate, B12
Inj. Thiamine Hydrochloride 25 mg /ml.	Vit. B1 (Thiamine Hydr chloride)
Inj. Cyanocobalamin 100 mcg and 500 mcg/ml.	Cyanocobalamin
Typhoid-paratyphoid A and B Vaccine I.P.	
Cholera Vaccine Each ml. contains not less than 8,000 million of Vibro Cholerae.	
Small Pox Vaccine (Freeze dried) (Vaccine Lymph)	

Name of the Product	Bulk drug involved
Miscellaneous	
lphacetamide Eye drops 10 per cent, 20 per cent, 30 per cent.	Sulphacetamide Sodium
omatropine Eye drops: Homa'ropine Hydrobromide O. 1 G Sodium Chloride 28.0 mg. Solution for Eye drops. 5.0 ml.	Homatropine Hydrobromide.
serine Sulfate Eye drops Physostigmine Salicylate 25.0 mg. Sodium Chloride 40.0 mg. Sodium Metabisulphite 2.0 mg. Solution for Eye-Drops 5.0 ml.	Physostigmine Salicylate.
nzyl Benzoate Emulsion 25 per cent	Benzyl Benzoate.
cid Carbolic Lotion (25 per cent)	Phenol.
ysol : 50 per cent Cresol V/V in a Saponaceous Solvent.	Cresol
. Iodine Solution (Aqueous) Iodine—1.25 g. Potasium Iodide—2.5 g.	
ncture Iodine. Iodine—2.5 g. Potassium Iodide —1.5 g. Purified Water—2.5 ml. Alcohol—2.5 ml.	Iodine.
. Benzoin. Benzoin Crushed—100g. Alcohol —90 per cent upto 1000 ml.	Benzoin
rup Piperazine (500 mg. of Piperazine Citrate/ 5 ml.)	Piperazine Citrate.
tract Bellodonna I.P,	Belladonna Root Powder
loramphenicol Suspension 125 mg./ 5 ml.	Chloramphenicol Palmitate
rup Paracetamol 125 mg /5 ml.	Paracetamol.
tracycline Hydrochloride Eye Ointment 1 per cent W/W Tetracycline.	Tetracycline Hydrochloride
ipe mixture. l Anethi—0.0016 ml. l Anisi—0.0016 ml. l Caraway—0.0062 ml. d. Bicarbonate—290 mg. cohol 90 per cent—3 ml. stilled Water—30 ml.	Oil Anethi, Oil Anisi, Oil Caraway, Sod. Dicarbonate 90 per cent Alcohol, Distilled Water.
oscapine Linctus B.P.C. 15 mg./5 ml.	Noscapine.
hitfields Ointment nzoic Acid—60 per cent licylic Acid—3 per cent	Benzoic Acid Salicylic acid.
trofurazone Ointment Nitrofurazone—0.5 per cent troleum Jelly	Nitrofurazone
tassium Permanganate Solution:—(O. 1 per cent)	Potassium Permanganate
aesthetic Ether.	
trimide Lotion (1 per cent	Cetrimide
ster of Paris Bandage	Calcium Sulphate, hemihydrate
hesive Plaster	Zinc Oxide
hyl Chloride Spray	Ethylchloride.
roglycerine Eye-Drops (2 per cent)	Boric Acid. Glycerine
aching Powder	Calciumhypochlorite
enyl	Cresol, Caustic Soda.
Epsom Salts	Magnessium Sulphate.
Health Salts Sod. Chloride—10 per cent Sod. Sulphate—2 per cent Pot. Chloride—1 per cent Pot. Sulphate—5.5 per cent Citric Acid—1.5 per cent Pot. Iodide—0.001 per cent Mag. Sulphate to—100 per cent	Sod. Chloride, Sod. Sulphate Pot Chloride, Pot. Sulphate. Citric Acid, Pot. Iodide. Mag. Sulphate
Iodine Ointment: Methyl Salicylate—5 per cent Iodine—5 per cent	Iodine Methyl Salicylate
Sprain Ointment; Methyl Salicylate	
Ointment: Methyl Salicylate—500 per cent g. White Beeswax—200 g. Wool Fat—105 g. Menthol—100.g. Water—45 g. Cajuput Oil—25 g. Eucalyptol—25 g.	Methyl Salicylate. White Bees wax. Wool Fat, Menthol, Cajuput Oil Eucalyptol.
Cough Syrup	
Ammoniated Mercury Ointment Ammoniated Mercury—5 g. Liquid Paraffin—3 g. White Ointment—92 g,	Ammoniated Mercury, Liquid Paraffin——White.
Pain Balm. Clove Oil 1 per cent Oil of Eucalyptus 8 per cent Camphor 5 per cent, Menthol 3 per cent Thymol 2 per cent, Menthyl Salicylate 6 per cent.	

Household Remedies

Tablet Iodochlorhydroxy Quinoline—25Omg.; Tablet Ferrous Sulphate—200 mg.; Tablet Aspirin 300mg.; Hexa Vitamin Capsules and Tablets.:—(Each tablet or Capsule contains).—Vit. A—5000 I.U., Vit. D—400 I.U., Vit. Bl—2 mg., Vit. B2—3 mg., Nicotinamide—20 mg., Vit. C—75 mg.; Tablet Vitamin B-Complex, Prophylactic N.F.I.: (Vit. B1—2 mg., Vit. B2—2 mg., Vit. B6—0.5 mg., Nicotinamide—25 mg., Calcium Pantothenate—1 mg., Yeast—100 mg.)

Tab. Vitamin B-complex with Folic Acid and Vitamin-C, therapeutic N.F.I.; For therapeutic use:—

Vitamin B-1—10 mg., Vitamin B2—10 mg., Vitamin B6—2.5 mg.: Cal. Pantothenate—5 mg., Niacinamide—100 mg., Folic Acid—1.5 mg.. Vit. C—150 mg.; Tab. Vitamin C—50 mg., 100 mg. and 500 mg.; Tab. Antacid Dried Al. Hydroxide—120 mg,; gel. Peppermintoil—0.0003 ml.; Mg. Trisilicate—250 mg.,; Tabl. Milk of Magnesia—300 mg.; Tab. Quinine Sulphate—0.3 Mg.; Sulphacetamide Eye Drops 10 per cent, 20 per cent, 30 per cent: Benzyl Benzoate Emulsion 25 per cent.; Acid Carbolic Lotion (25 per cent).

Lysol:—50 per cent (Cresol V/V in a Saponaceous Solvent.; Tr. Iodine solution (Aqueous) Iodine—2.25 g., Potassium Iodide—2.5 g.; Tincture Iodine.—Iodine—2.5 g., Potassium Iodide—1.5 g., Purified Water—2.5 mg., Alcohol—90 per cent up to 25ml.; Tr. Benzoin.: Benzoine Crushed—100 g., Alcohol—90 per cent, up to—250 ml.; Gripe mixture.: Oil Anethi —0.0016 ml., Oil Anisi—0.0016 ml., Oil Caraway—0.0062 ml., Sod. Bicarbonate—290 mg., Alcohol 90 per cent—3 ml., Distilled Water—30 ml.; Noscapine Linctus B.P.C. 15 mg./5 ml.; Whitfields Ointment.; Benzoic Acid—60%, Salicylic Acid —3%; Nitrofurazane ointment Nitrofurazone—0.5%; Potassium Permanganate Solution:—(0.1 per cent).; Cetrimide Lotion (1%). Adhesive Plaster.: Boroglycerine Eye-Drops (1 per cent).; Bleaching Powder.: Phenyl.; Epsom Salts.; Health Salts; Sod. Chloride—10 per cent, Sod. Sulphate—2 per cent, Pot. Chloride—1 per cent, Pot. Sulphate—5.5 per cent, Citric Acid—1.5 per cent, Pot. Iodide—0.001 per cent, Mag. Sulphate to—100 per cent;

Annexure B

Generic Names

All single ingredient dosage forms of the following drugs should be marketed under generic names.

Chloramphenical and its esters such as palmitate, monstearoy glycollate, succinate and stearate.; Tetracycline, Oxytetracycline, Chlorotetracycline, Demethylchlor tetracyclines, 5 Dioxy Oxytetracycline; Ferrous Sulphate; Aspirin (Acetyl Salicylic acid); Chlorpromazine; Reserpine; Tolbutamide: Analgin; Piperazine and all its salts such as adipate, citrate and phosphate,; Crystalline Penicillin G such as Procaine, long-acting benzathine penicillin, including semisynthetic penicillins.; Streptomycin; INH; Combination of INH-Thiacetozone.

Annexure C

Constitution of the Committee on the Drugs and Pharmaceuticals Industry

In the context of the large-scale expansion of the drugs and pharmaceuticals industry envisaged during the fifth five year Plan, with a view to ensuring the regulated and rapid growth to drug manufacture, and further with a view to ensuring that all essential drugs are made available to the consumers at reasonable prices, government have decided to constitute a Committee with following membership;

Mr Jaisukhlal Hathi, M.P.—Chairman; Mr Yashpal Kapur, M.P.—Member; Mr Vasant Sathe, M.P.—Member; Dr Ranen Sen, M.P.—Member; Mr K.S. Chavda, M.P.—Member: Mr C. M. Stephen, M.P.—Member; Dr M. L. Dhar, Director, Central Drugs Research Institute, Lucknow—Member; Dr B. D. Tilak, Director, National Chemical Laboratory, Poona—Member; Mr S. S. Marathe, Chairman, Bureau of Industrial Costs & Prices—Member; Mr Vinod Kumar, Joint Secretary, Ministry of Petroleum & Chemicals —Member: Mr P.S. Ramachandran, Drugs Controller, DGHS. —Member: Dr B. Shah, Dy. Director General, D.G.T.D.—Member; Dr B. V. Ranga Rao, Centre for Studies in Science Policy, Jawaharlal Nehru University.—Member; Mr M. K. Rangnekar, Commissioner, Food and Drug Administration, Government of Maharashtra, Bombay.—Member; Dr P. R. Gupta, Adviser (Drugs). Ministry of Petroleum & Chemicals.—Member Secretary.

Coopted by the Committee

Dr B.B. Gaitonde, Director Haffkine Institute, Parel, Bombay Member;—Dr S.S. Gothoskar, Drug Controller (1) DGHS (on the retirement of Mr P.S. Ramachandran) Member;

The Committee will examine and report upon the following matters:

(i) To enquire into the progress made by the industry and the status achieved by it; (ii) To recommend measures necessary for ensuring that the public sector attains a leadership role in the manufacture of basic drugs and formulation and in research and development.; (iii) To make recommendations for promoting the rapid growth of the drugs industry and, particularly, of the Indian and small scale industries' sector. In making its recommendations the Committee will keep in view the need for a balanced regional dispersal of the Industry; (iv) To examine the present arrangments for the flow of new technology into the industry, and make recommendations therefore; (v) To recommend measures for effective quality control of drugs, and for rendering assistance to small scale units in this regard.; (vi) To examine the measures taken so far to reduce the prices of drugs for the consumer, and to recommend such further measures as may be necessary to rationalise the prices of basic drugs and formulations.; (vii) To recommend measures for providing essential drugs and common household remedies to the general public, especially in the rural areas.; (viii) To recommend institutional and other arrangements to ensure equitable distribution of basic drug and raw materials especially to the Small Scale Sector.

The Committee will ascertain and take into consideration the views of the state governments and other interests concerned, as may be found necessary.

The Committee's headquarters will be at New Delhi.

All secretariat assistance required by the Committee will be provided by the ministry of Petroleum & Chemicals.

The Committee will meet as often as may be considered necessary by the chairman and shall submit its final report to government within six months. The Committee may also, at its discretion, submit interim reports on specific matters from time to time.

Annexure D

Report of the Panel Constituted by the Committee on Drugs and Pharmaceuticals, Ministry of Petroleum and Chemicals, Government of India

The Panel met on June 8 and 9, 1974, at the Haffkine Institute, Bombay. The following were present: Dr Ranen Sen, Dr A. B. Chowdhury, Dr S. Padmavati, Dr B. Ray Chaudhari Dr K. V. Thiruvengadam Mr P.S. Ramachandran, Dr K. G. Nair, Dr B. J, Vakil, Dr P. R. Gupta, Dr B. B. Gaitonde—Convenor Mr M. K. Ranganekar attenc ed by special invtaion.

The Committee discussed i detail the following:

(i) Measures for provi ding essential drug and common hous hold remedies, espec ally in rural areas and

(ii) Whether it would b in the national interes to substitute bran names by generic names and, if sc tthe manner an he extent to which should be done.

With regard to the fir term of reference, it was fe that a list of essential drug particularly those, which a used extensively in medic practice in both urban an rural areas, will have to b prepared. Accordingly, th lists of essential drugs pr pared by the Committee c Essential Drugs, 1967, as we as those prepared by Pr Padmavati and the Dru Controller (India) were scr tinised and a new list (Appe dix I) was prepared. In th opinion of the Committe drugs mentioned in the atta hed list are extensively us and are essential for medic practice. In order to ma these essential drugs ava able at a reasonably lo price throughout the countr the Committee recommen the following measures:

(i) Production of the drugs should be ste ped up immediat giving top priority f the manufacture the relevant ba drugs.

(ii) The Ministry of P roleum and Chemic should take all su measures, which w increase the prod tion of these dru expeditiously. Spec assistance, prior for power supp other incentive sc mes etc. may be gi to entrepreneurs, p ferably Indian, who come forward to undertake production of these essential drugs. In short, if there are any impediments, these should be immediately looked into and removed.

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*The term "generic" den "non-proprietary".

(iii) In case of some drugs, the technical know-how is already available, but there is a production short-fall. More enterprenuers should be encouraged to take to production of such drugs. In case of those drugs for which technical know-how is not available in the country, special incentives may be given to national laboratories to develop the know-how on a time-bound basis. If necessary, the foreign technical know-how may also be obtained immediately.

(iv) To make these drugs available in rural areas, the distribution system must be rationalised and decentralised. For this assistance should be sought from the Postal department, Indian Oil Company depots, kerosene depots. Coperative societies should be encouraged for the distribution of drugs in rural areas. Packaging details should be looked into. Tablets should be supplied in strip packings. Liquid preparations should be supplied in bottles fitted with pilfer proof closures. Export of the basic drugs (Appendix I) as well as their formulations should be so regulated that there is no shortage of essential drugs in the country at any time.

(v) At present, there are a number of difficulties, especially in small towns and rural areas, to establish pharmacies for dispensing of drugs. One of the major difficulties is non-availability of trained pharmacists. According to the Drug Act, those who possess a Diploma in Pharmacy can only be licensed as dispensers. The diploma course is quite lengthy and the remuneration paid to the dispenser is not attractive. The Panel recommends that steps should be taken to revise the present syliabus of training of the pharmacists. The Pharmacy Council should be approached to tailor the courses to suit the needs of the country. An intensive, need-oriented course of a short duration should be instituted for training of dispensers, who then could be licensed to establish pharmacies and drug stores in smaller towns and rural areas. Primary Health Centres should be given adequate financial assistance for purchase of drugs, so that rural population gets the same quality of drugs in adequate amounts as in urban areas.

Substitution of Brand Names of Drugs by Generic Names

The question of generic names and brand names was extensively discussed. All facets of the problem, such as impact on drug prices, bio-avilability, quality of drugs, enforcement of drug control, multiple ingredient preparations, export of drugs, labelling difficulties, impact on small-scale industry, patent rights distribution system, acceptance by the medical profession, role of distributors and pharmacists, effect on the growth of pharmaceutical industry, difficulties and inconvenience in the use of tongue-twisting generic names etc., were discussed in detail. After taking into account all these very intricate problems, the Panel makes the following recommendations:

(a) Brand names should abolished in a phased manner. This step is in the right direction both for rational practice of medicine and general national interest. Drugs which are exported may be allowed to bear brand names.

(b) A beginning should be made for a change over to generic names for the drugs, mentioned in Appendix II. These drugs are used very extensively and their generic names are as elegant as brand names. These drugs should, therefore, not be allowed to be marketed under brand names with immediate effect.

(c) This change over from brand names to generic names may result in the increase of spurious and sub-standard drugs. It is, therefore, strongly recommended that steps should be taken to ensure more rigid and uniform quality control through the country.

(d) All supplies of single ingredient drugs and drugs included in Indian Pharmacopoeia for central and state government Institutions and local Bodies should be tendred and supplies made under generic names. At present, drugs, though tendered under generic names, are supplied under brand names, and this should be discouraged.

(e) All drugs other than those listed in Appendix II, should bear labels displaying prominently generic names. Brand names may be mentioned in brackets.

(f) The Drug Controller (India) be requested not to give recognition to the brand names of new drugs when first introduced in this country.

(g) Multiple drug combinations of ten containing drugs, particularly vitamins, in amounts far in excess of what is required are presently marketed in India. The majority of such combinations are irrational. There is a colossal national wastage of drugs because of such combinations. The Panel, therefore, strongly recommends that the Drug Control Administration should immediately go into the various drug combinations and take prompt measures to eliminate irrational drug combinations. No firm should be allowed to import excessive quantities of any durg over and above what is required to go into the formulations for therapeutic and prophylactic purposes.

(h) The Indian Pharmacopoeia Committee be approached to devise simple short and suitable non-proprietary names for drugs, which have got long and difficult generic names.

(i) Bio-availability studies are important in cases of a few drugs, although this factor has recently been overplayed not always on rational basis. The Panel recommends that facilities should be created in different parts of the country, so that the industry, both large and small-scale, can take advantage of such facilitics to plan and conduct bio-availability and pharmacokinetic studies.

(j) In order to keep the medical profession, particularly the generel practitioners, well-informed about new drugs and also to popularise the generic names, it is essential to take steps immediately to :

(i) revise the Indian National Formulary,

(ii) to publish journals on the lines of the Prescriber's Journals, UK, Medical Letter, USA or Formulary Notes of Sri Lanka.

Such applications will have to be under the control of an editorial board comprising leaders of the medical profession in the country constituted by the ministry of Health, government of India.

Appendix I

Tablets and Capsules (Granules included)

Tablets

Cap. Chloramphenicol 250 mg.; Cap. Tetracycline Hydrochloride 250 mg.; Tab. Indochlorhydroxy Quinoline 0.5 mg.; Tab. Nitrofurantoin; Tab. Chlorpheniramine; Tab. Ferrous Sulphate; Tab. Folic

Acid; Tab. Digoxine; Tab. Aspirin; Tab. Phenobarbitone; Tab. Chlorpromazine; Tab. Prednisolone; Tab.Hexa Vitamin (N.F.I.); Tab. Vitamin B. Complex; Tab. Vitamin C; Tab. Sulphadimidine; Tab. Metronidazole; Tab. Hydrochlorothiazide; Tab. Reserpine, Tab. Glyceryltrinitrate; Tab. Analgin; Tab. Antacid (B.N.F.); Tab. Piperazine (Syrup Piperazine); Tab. Tetrachlorethylene; Tab. Tolbutamide; Tab. Thiacetazone & Isoniazid (each tablet to contain Thiacetazone 37.5 mg. BPC & Isoniazid 75 mg IP); PAS granules; Tab. I.M.H.; Tab. Dapsone (50 mg); Tab. Chloroquine Sulphate 0.2 g (or Tab. Chloroquine Phosphate 0.25 g I.P.); Tab. Primaquine Diphosphate (2.5 g of Primaquine base); Tab. Diethylcarbamazine Citrate (50 mg); Tab Anti-asthmatic (containing Ephedrine HCl. 50 mg, Teeophillin 65 mg and Phoneobarbitone 30 mg): Tablets containing alkaloids of Ergot equivalent to 0.4 mg of total alkaloids Ergotoxin; Capsules of Vitamin A 6000 units and Calciferol 1000 units.; Tab. Vitamin A; Tab. Vitamin D; Tab. Milk of Magnesia; Oral Contraceptive (approved by Family Planning Department).

Injections

Injection Penicillin; Inj. Streptomycin; Inj. Emetine Hydrochloride; Inj. Atropine; Inj. Adrenaline; Inj. Nor-Adrenaline; Inj. Dextrose Saline; Inj. Furosemide; Inj. Morphine Sulphate; Inj. Pethidine; Inj. Paraldehyde; Inj. Prednisolone; Inj. Anti-Tetanus Serum; Inj. Methyl Ergometrin; Inj. Chlorpheniramine Meleate; Inj. Fortified Benzyl Penicillin PP (Procaine Benzyl Penicillin 300,000 Units, Benzyl Penicillin 100,000 units).; Inj. Aminophylline (0.5 gm/2 ml); Inj. Oxytocin (Oxytocin 5 i.u./ml); Inj. Chlorpromazine; Antivenom Serum (Polyvalent); Rehydration fluid (for treatment of Chloera cases); Glucose Ampoule (containing Dextrose 25 per cent); Distilled Water (25 cc ampoule); Inj. Phenobarbitone Sodium (200 mg/ml); Inj. Mephenteramine; Diphtheria-Pertussis-Tetanus Vaccine; Inj. Tetanus Toxoid; Inj. Diphtheria Toxoid; Inj. Anti-Diphtheria Serum; Oral Polio Vaccine; Inj. Insulin plain (40 units per ml); Inj. Sodium Pentathol; Inj. Succinyl Choline; Inj. Xylocaine.

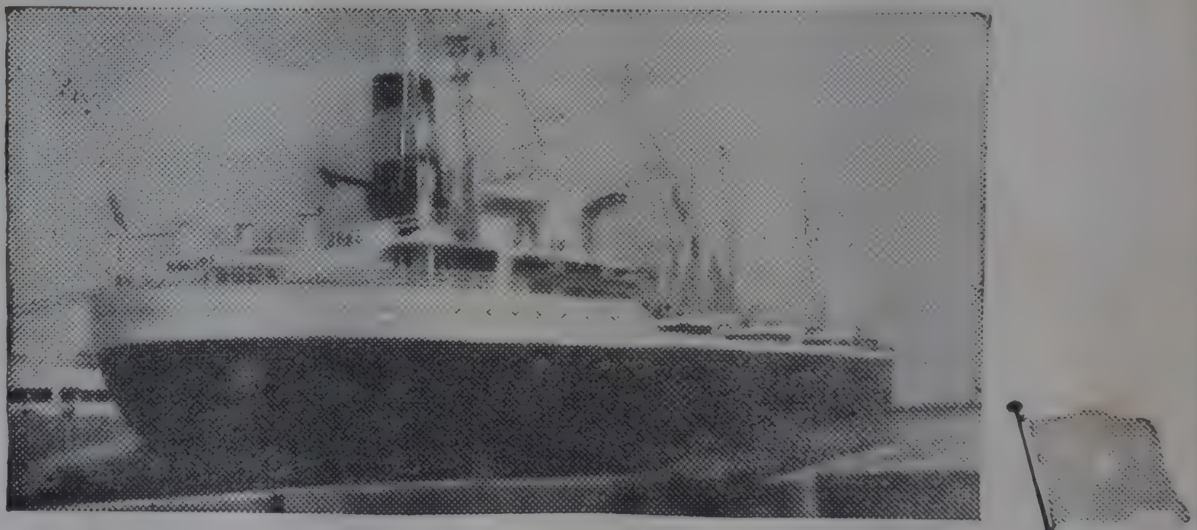
Miscellaneous (**syrups, ointments, mixtures, eye drops, ear drops etc**.)

Sulphacetamide Eye drops; Homatropine Eye Drops; Esserine Sulfate eye drops; Benzyl Benzoate Emulsion; Acid Carbolic; Lysol; Tr. Iodine; Syrup Piperazine; Ext Belladonna (Combination of Phenobarb & Belladonna); Chloramphenicol suspension (125 mg/ml); Syrup Paracetamol (125 mg in 5 ml); Tetracycline Hydrochloride Ointment 1 per cent in sterile ointment base.; Gripe Mixture for infants (5ml contains Dill oil B.P.C. 0.005 ml; sodium Bicarbonate I.P. 0.005 g,; dehydrated Alcohol I.P. 0.0248 ml (Syrup & Preservative); Syrup Noscapine; Whitfields Ointment (Benzoic Acid 6 g; Salicylic acid 32 g; Alcohol 70 per cent up to 100 g).; Nitrofurazone ointment (0.2 per cent in non-greasy ointment base); Petroleum Jully; Potassium Permanganate—5 g packets; Diethyl Ether (Anaesthetic); Cetrimide Lotion; Iodine Solution (Chaudium Solution) for sterilizing raw catgut, loops and loop introducers (Iodine 1 g, Pot. Iodide 1.5 g, Distilled Water to produce 100 ml); Plaster of Paris Bandages; Adhesive Plaster; Ethyl Chloride (100 ml spray); Boric Acid-Alcohol-Glycerol drops (Boric Acid 1 5 per cent; Glycerol 3.3 per cent in Alcohol 95 per cent 10 ml). Bleaching Powder; Phenyl; Epsom Salt; Krusen's Salt
(Each gram contains S
Sulphate Exsic 20 mg., S
Chloride 10 mg., Pot. Chlor
10 mg., Pot. Sulphate 55 m
Citric Acid 45 mg., Mag
sium Sulphate exsic); O
ment containing: Resublim
Iodine 4 per cent; Met
Salicylate 5 per cent; Ointm
containing: Oil Eucalyptus
per cent, Oil clove 1 per ce
Camphor 5 per cent, Ment
3 per cent, Thymol 2 per c
Methyl Salicylate 5 per cent

Appendix II

All Dosage Forms of ab
Drugs be Marketed un
Generic Names.

Chloramphenicol; Tetrac
line; Ferrous Sulphate; As
in; Chlorpromazine; Res
rine; Tolbutamide; Analg
Piperazine: Crystalline Pe
cillin G; Streptomycin; I
Tablets; Tablets INI
Thiacetazone.



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MARCH 28, 1975

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Straight talk on food

THE GOVERNMENT having opted for a public distribution system on a long-term basis for a select number of essential commodities, of which food grains are naturally the most important, it has become necessary settle immediately the deteminants of food policy and the guidelines for its lementation. Normally a public distribution system for the essentials of life uld seek to serve the needs of only the vulnerable sections of the community. s much is easily advocated and readily understood, but the concept of vulner- lity itself is more complex than it may appear at first sight. The simplest ap- ach of course is to agree on a poverty line and take those falling below it as ming the vulnerable sections of the community. In actual practice, however, a le more sophistication is needed for translating 'vulnerable' into an operational nciple.

For instance, although a good part of the population of the cities or other urban as may well be above the poverty line, its constituents could still be vulnerable luctuations in the availability or prices of food grains. In times of shortages con- trations of urban population could draw to themselves adequate supplies of food ins from rural areas only by exerting their higher purchasing power, which means t they may have to pay more and more for what they need. This necessity ld easily tax the greater part of urban populations even if it may be above an epted poverty line, especially as lower middle class families in urban areas have ial and economic obligations which tend to encroach on their basic consumption ndards. Moreover, to the extent that free markets in urban areas are apt to func- n as centres for demand-pull pressures on the availability or prices of essential ds, even the interests of the vulnerable sections of society, whose vulnerability is ined in narrowly conventional terms and most of whom live in rural areas and to be found in such economic categories as landless labourers or village artisans, not be properly taken care of unless urban purchasing power ceases to be wholly to express itself on available food grains.

It follows that, while the main thrust of a public distribution system must neces- ily be towards serving the needs of the very poor or even the poor most of whom in rural areas, this broad strategy could itself imply tactical consideration for visioning urban areas. By and large this seems to be the present state of official king on the subject and its practical implication would be that the government uld embark on a public distribution system which could progressively serve more more all those who are poor in absolute terms, while also taking care of the imum needs of the urban communities generally. In its Interim Report on icultural Price Policy, the National Commission on Agriculture has suggested that public distribution system should normally cover the following :

(1) All cities and towns with population over one lakh excluding those in surplus areas in surplus states;

(2) all industrial towns covered under the scheme of All-India Consumer Price Index Numbers for Industrial Workers;

(3) drought-prone areas; and

(4) flood-affected areas.

This could be a realistic starting point.

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The commission has estimated that the requirement of cereals for such a public tribution system may be about 12 million tonnes in a year depending on the quan- a supplied per consumption unit on the basis of the estimated population in 1975. ce the population is growing, while coverage of the public distribution system y also have to be gradually expanded, it will have to be assumed that the quantity of 12 million tonnes suggested by the commission may have to be stepped up from year to year. Taking the good years with the bad, the output of food grains in the country should therefore grow at a rate considerably faster than the expanion of population if a dynamic public distribution system is to be run smoothly. This will indicate the need for an increase in food production at an annual rate of about five per cent. It is important to emphasize the point that unless a basic upward trend of this order is maintained in the performance of the food grain sector, the public distribution system cannot satisfactorily cope with the demand it may legitimately be expected to serve in the coming years. The commission has expressed the view that procurement of 12 per cent of cereal production, on an average, by the public authority should be aimed at for the next few years. This percentage may have to improve from year to year if sufficient progress is to be made in the coverage of the poorer sections of the community in rural areas.

Few will question the commission's judgment that "neither the system of procurement through monopoly purchases (or nationalization of wholesale trade) nor through the trade has succeeded." Time need not be wasted on debating this proposition; experience has been a good teacher for the nation in this respect. The commission has recommended that the major operational instrument for the procurement of cereals should be the well-tried system of compulsory graded levy on producers and millers as well as on hullers. This journal strongly urges that these means should be accepted as a stable constituent of a national food policy for running the public distribution system on a long-term basis. The particulars of this system of procurement will of course have to be worked out, largely by various state governments but under the controlling as well as the coordinating jurisdiction of the centre, in the light of local circumstances, subject to the over-riding need for the procurement machinery as a whole to be able to provide the wherewithal indicated for the public distribution system.

Price policy is a tricky issue. Nevertheless, some broad statements could be confidently made. For instance, the levy price may be a little higher than the support price, but it should be definitely lower than the market price. In a highly inflationary situation the difference between the support price and the levy price will have to be somewhat larger than it would otherwise be and the gap between the levy price and the market price very much wider. The logic of this suggestion is obvious. Again, except where relief distribution of food grains is undertaken for the benefit of people affected by acute economic distress resulting from some extraordinary situation, the issue price for food grains under the public distribution system should attempt to cover the procurement price plus the administrative expenses of the procurement and distribution machinery. So long as the levy on domestic producers is able to yield the quantities of food grains needed for the public distribution system, there should be no need for the government subsidizing issue prices. A complication would arise when there is an appreciable gap between the quantity procured internally and the quantity needed for distribution making it necessary for the difference to be made good by the import of food grains at prices higher than the levy price. But, then, the scale of the levy and the scale of the public distribution system should normally be coordinated with each other in such a way as to avoid the need for higher-cost food imports for the day-to-day running of the public distribution system.

The commission has suggested that, in years of good crops, the call on the public distribution system may be reduced and that this would release some part of the food grains procured at the levy price for the building up of buffer stocks. In our view, since the public distribution system has to be so organized as to serve in the long-term context the purpose of providing food grains at reasonable prices to the vulnerable sections of the community, there is not much to be gained by deliberately retracting its coverage in a particular year when harvests happen to be good. Actually, the aim of the public distribution system should be to teach and train the vulnerable sections of the community to look upon it as an assure
and regular presence and an operativ
factor in the food economy of the country
Where good crop year could contribut
to the building up of a buffer stock, how
ever, is in placing the government in
position to buy additional quantities a
support prices or otherwise in the ope
market for this purpose.

On the specific subject of food im
ports, the commission has been candi
without sticking its neck out. It ha
suggested that food imports should no
be ruled out under all circumstance
and has allowed that "it may be neces
sary to build up stocks from imports i
spite of the known constraints of foreig
exchange." In our view the governmen
should resolve on a plan for building u
a buffer stock of ten million tonnes
food grains within a reasonably shor
period and once the country has tide
over the current food shortage. A buffe
stock of this order could be organize
within a reasonable period of time onl
through substantial imports of food grai
and it is even possible that regular im
ports may be needed to maintain this bu
fer stock at a level which is at all time
relevant or related to the increases i
population or the need to improve nutr
tional standards in the country.

It would be to the nation's honour
it would be in the nation's interest th
the government must make up its mi
firmly and clearly over an import polic
for food grain in these terms. It would b
to the nation's honour because ther
would then be no need for the governme
of India casting itself periodically in th
role of a beggar for alms in the inte
national community. It would be i
India's interest because a well-planne
and properly executed import policy woul
help this country to secure the neede
food imports over a period of time
the most advantageous prices availab
in the circumstances. More importa
still, if India could provide itself with
clear-cut food grain import policy,
might be able to use it effectively as
means of developing commercial contac
and trade ties over a wide range wit
wheat exporters such as Australia,

ia's rice-surplus neighbours such as rma and Thailand.

To sum up, then, it is about time ia had a relatively stable long-term d policy. The major components of t policy could be clearly perceived and ted even now. They are that there ould be a settled and stable public dis- bution system seeking to serve the mini- m food grain needs of urban com- nities as well as more and more of the orer sections of the population every- ere; that this public distribution system ould be provisioned by a suitable pro- rement programme and machinery ictioning in terms of a compulsory ided levy on grain farmers, millers and llers; that the levy price should be rea- nably related to the support price hich would naturally be based on the st of production) and the prevailing arket price; that the issue price should rmally cover the procurement price and the cost of administering the procurement machinery and the public distribution system, with the element of a consumer subsidy, if any, being limited to clearly identified groups, who may need such relief because of special situations or their own peculiar circumstances; and that steps should be taken to raise and maintain adequate buffer stocks, the imports needed for this purpose being secured through a planned and systematic food grain import policy which, besides assisting the country to obtain supplies on the most advantageous terms, could also be helpful in the establishment of broad business relations and trade ties between our country and those which are commercial exporters of wheat or rice. As we conclude, we find that our prescription has, quite by accident, composed itself into a *Panch Sheel* for a national food policy. This may not be a good omen, but we are not superstitious.

Money for the Plan

EST BENGAL's budget for 1975-76 reveals substantial improvement in the state's nancial position. Though central assis- nce in various forms has contributed uch to this, the state government has so been taking vigorous steps to aug- ent its revenues by levying new taxes, plugging loopholes, by stimulating vings, and by other measures. As a sult, West Bengal has not only wiped ut all past deficits but has produced a rplus budget. The last time the state ad a surplus budget was in 1962-63 hen Dr B.C. Roy was the chief minister. ubsequent budgets showed sizable defi- its, the figure for 1969-70 being Rs 53 rores.

Mr Sankar Ghosh, the Finance inister, said in his budget speech, that hrough better financial management and obilisation of rosources in 1973-74, overnment could reduce the opening egative balance of Rs 40.95 crores to a losing negative balance of Rs 22.03 rores. He explained that the latter mount would be reduced at the end of he year to a negative closing balance of Rs 10.78 crores as a result of the financial operations throughout the year. Excluding this negative opening balance, a deficit of Rs 11.95 crores is estimated during 1975-76. But as a result of additional taxation proposed for 1975-76 to yield Rs 12 crores and a transfer of Rs 11 crores from the central government, the anticipated deficit of Rs 11.95 crores for 1975-76 as well as the carry-over deficit will be wiped out and there will be a surplus of Rs 27 lakhs. The total revenue receipts for 1975-76 are Rs 488.22 crores against Rs 469.61 crores in the revised estimate. The revenue expenditure for 1975-76 is estimated at Rs 493.58 crores against the revised figure of Rs 468.33 crores. The total provision for capital expenditure for 1975-76 is Rs 63.22 crores against Rs 50.85 crores in the revised estimate.

Mr Ghosh seems to have chosen his new taxes judiciously. These include higher excise duties on whisky, liquor, beer and other alcoholic drinks. The existing rates of tax of air conditioned hotels and restaurants have been increased and the incidence of sales tax on some luxury goods such as carpets and electro-magnetic tapes has been enhanced. Other taxation measures include increase in the rates of stamp duty on transactions of immovable property valued at above Rs 5000 on a graduated basis and the levy of property tax on multi-storied buildings. The Finance minister has also proposed "to restructure the slabs for agricultural income and modify the rates thereon to bring it in greater conformity with those in the Indian Income-tax Act keeping undisturbed, however, the existing level of exemption for smaller or less well-to-do farmers having no income other than agricultural income". The Finance minister has given some relief in respect of sales tax to the small scale sector, the pharmaceutical industry and some cottage industries. In the budget for 1974-75 new taxes were levied to bring Rs 24 crores. Subsequently, the electricity tariff was revised to yield Rs 8.75 crores. Additional resource mobilisation effort already undertaken is estimated to give with usual growth about Rs 180 crores during the fifth Plan.

While resorting to new taxation the state government has also made commendable efforts to improve the collections from the existing taxes through changes in sales tax laws and administrative measures. Consequently, the revenue from sales tax is estimated to increase by about Rs 45 crores from Rs 74.33 crores in 1971-72 to Rs 119 crores at the end of 1974-75. Collections from land revenue in 1973-74 were larger by Rs 2.25 crores than in the previous year. The lottery conducted by the state government used to result in loss in the past but, lately, it has begun to yield profits. Another significant achievement of the state government has been the improvement in the collection of small savings. In 1971-72 small savings yielded Rs 34 crores but in 1972-73 they rose to Rs 61 crores and in 1973-74 there was a further improvement to Rs. 81 crores. Mr Ghosh said that small saving was "a good substitute for taxation" because it helped capital formation and enabled the government to pursue the non-inflationary path of development. Moreover, it is "a great symbol of the people's participation in the development programme of the state". West Bengal's collection of small savings is substantially higher than in any other state and this achievement has been made possible through various incentive schemes as well as intensive publicity by means of seminars, exhibitions, plays, and films on small savings themes and also by forming model savings villages. In 1973-74 West Bengal received Rs 57 crores as its share of the net small savings collection and in 1974-75 it expects Rs 64 crores.

Though the financial position of West Bengal has shown considerable improvement there is still scope for substantially augmenting revenues. For example, most of the commercial and industrial undertakings of the state government continue to show heavy loss. The Greater Calcutta Milk Supply Scheme has suffered a loss of Rs 2.84 crores in 1974-75 and the loss in 1975-76 is estimated at Rs 2.77 crores. The Milk Scheme in Durgapur, the Oriential Gas Company, industrial estates and several other undertakings also continue to lose heavily. Surprisingly, even the tourist lodges at Darjeeling, Santinekatan and Durgapur are not being run on a profitable basis. There is no reason why the state undertakings cannot be operated with enough efficiency and why the government cannot attract more tourists. Effective exploitation of the state's immense tourist potential will not only help to obtain more revenue but also create opportunities for employment.

The development of industry and agriculture will also bring more resources. As Mr Ghosh explained in his budget speech, "in West Bengal a considerable proportion of the industrial capacity remains unutilised. Further, recent experience has proved that in the field of agricultural development our marginal requirements of capital for a given increase in output are lower than the all-India average. Hence, additional investments in West Bengal, both in industry and agriculture, will generate correspondingly greater surplus for the country as a whole". The state government therefore should improve the climate for investment by ensuring adequate supply of power, by providing other infrastructure facilities, and by pursuing a labour policy which, while protecting and promoting the interests of workers, will deal effectively with indiscipline and exploitation of workers by trade unions for political purposes.

At the same time, West Bengal's plea to New Delhi for larger assistance for the fifth Plan deserves favourable consideration. The sixth Finance Commission had recommended that West Bengal should get a total amount of Rs 822.93 crores as its share of taxes and duties and grants-in-aid as compared to Rs 369.26 crores proposed by the previous Finance Commission. Nevertheless, the state needs larger assistance from the centre in the Plan and non-Plan sectors. Mr Ghosh said that what West Bengal had got as her due share under the award of the sixth Finance Commission should not be considered as a justification for depriving the state of the larger Plan assistance than is otherwise legitimately due to her. The massive problem of unemployment, the stra caused by the influx of refugees, and th imperative need to improve the livin conditions in the Greater Calcutta are —these and other difficulties faced b West Bengal certainly call for a mor sympathetic approach from New Delh West Bengal has been making emerget efforts to implement a large Plan. Th fourth Plan outlay for the state wa originally fixed at Rs 322 crores but i the first two years of the fifth Plan it i going to have an outlay of Rs 321 crore —Rs 150 crores for 1974-75 and Rs 17 crores for 1975-76. This is almost equa to the original size of the fourth Plan The state government's success in implementing the Plan will depend not only on the availability of adequate centra assistance in various forms but also on the extent to which it is able to enlist the enthusiastic cooperation of the people and the business community.

Public sector in engineering

THE DEPARTMENT of Heavy Industry in the union ministry of Industry, indeed, deserves commendation for having gingered up the various public sector engineering units under its charge. The units concerned are (*i*) Bharat Heavy Electricals Ltd (BHEL); (*ii*) Heavy Engineering Corporation (HEC); (*iii*) Bharat Heavy Plates and Vessels Ltd (BHPV); (*iv*) Mining and Allied Machinery Corporation Ltd (MAMC); (*v*) Triveni Structurals Ltd (TSL); (*vi*) Bharat Pumps and Compressors Ltd (BPCL); (*vii*) Tungabhadra Steel Products Ltd. (TSP); (*viii*) Machine Tools Corporation (India) Ltd. (MTCI); (*ix*) Hindustan Machine Tools (HMT); (*x*) Jessop and Co.; (*xi*) Braithwaite; (*xii*) Richardson and Cruddas; (*xiii*) Gresham and Craven (India) P. Ltd.; (*xiv*) Indian Standard Wagons-Burn; and (*xv*) Scooters (India) Ltd. The aggregate production of these units in terms of value (see Table I), which in 1972-73 was around Rs 280.71 crores [excluding BPCL and Scooters (I) which were not in production in that year and the output of ISW-Burn the details of which are not available], went up in 1973-74 to as much as Rs 408.50 crores [excluding Scooters (I) which was still not in production and the ISW-Burn whose output figures are not available for this year too]. During the current financial year, the improvement in production has not only been maintained but even accelerated. Between April and February last, these units had produced goods worth Rs 469.94 crores (Rs 454.58 crores excluding the output of ISW-Burn). This compared with an output worth Rs 335.31 crores during the corresponding 11 months period last year (excluding the production of ISW-Burn). The current financial year is expected to end with these units yielding production worth Rs 550 crores—(slightly over Rs 530 crores excluding the output of ISW-Burn). Although this will represent some shortfall from the target set for the year—Rs 548.50 crores excluding ISW-Burn's output and approximately Rs 570 crores if ISW-Burn's production is included, the significance of the achievement does not get minimised as the year's target had been set quite ambitiously—a growth of approximately 34 per cent over the last year.

The performance evidently would have been much better had Scooters (I), which went into production this year, been able to gear up its production to the levels timated. Presumably, this unit has yet overcome fully its teething troubles. terms of value, it was able to turn out achines worth nearly Rs 6 lakhs during e 11 months to February, as against the rget of Rs 1.7 crores. In physical terms, e output was 102 scooters, as against e target of 500 scooters. As the target or the whole year is production worth s 6 crores, the ministry apparently ex-ects output to be significantly higher uring the current month; the target for he first 11 months had been set at only s 1.7 crores. The performance of some ther units, particularly MAMC, BHPV, SL, BPCL, TSP and the 4-wheeler rail-vay wagon section of Jessops too has een below expectations for various rea-sons. In the case of MAMC shortage of ower and low gas pressure have affected output. The production of TSF has fallen hort of expectation owing to tight gas supply position and puncturing of the galvanising bath. Bharat Pumps and Compressors has somewhat suffered on account of delay in receipts of some components, both indigenous and imported. Non-availability of sufficient working capital has affected the output of TSL. The 4-wheeler railway wagons section of Jessops has suffered from short supply of wheel sets.

Another significant fact to be noted is that the production trends at most of the above-mentioned units have been particularly encouraging since November last. The shortfall in the attainment of the cumulative target for 11 months to February was caused to a significant extent by the inadequate building up of the tempo of activity in some units to the considerably increased targets compared to the corresponding period a year earlier.

This is evident from Table III which shows that up to October last, except for the month of August, the realisation of the monthly target for all the units had not been more than 91 per cent, although there had been a progressive increase in the output. The overall target for the month of November was achieved upto 99 per cent and those of the next two months up to 98 per cent. In February, the overall performance exceeded even the target for the month by about 8 per cent. The monthly target had been stepped up pro-

TABLE I

Output of Heavy Industrial Units in the Public Sector

(Rs crores)

Unit	1972-73	1973-74	1974-75 (year's target)	1974-75	
				Target (April 74 Feb. 75)	Output
1. BHEL	145.00	228.00	281.50	259.70	258.70 (190.35)*
2. HCC	49.00	62.42	73.80	65.12	57.51 (50.65)
3. BHPV	4.60	8.82	20.00	17.69	9.48 (6.19)
4. MAMC	14.50	17.75	25.00	22.52	16.34 (11.75)
5. TSL	2.80	4.50	7.00	6.47	4.80 (4.08)
6. BPCL	Not in production	0.67	5.70	5.30	1.72 (Not available)
7. TSP	2.10	2.28	2.50	2.29	1.89 (2.10)
8. Jessop & Co.	16.20	24.03	34.00	31.33	32.16 (21.28)
9. Braithwaite	8.90	11.05	13.50	12.33	11.08 (9.23)
10. Richardson & Cruddas	4.47 (July 72 to April 1973.)	6.70	9.00	7.40	6.85 (5.38)
11. Gresham & Craven	0.84	1.05	1.50	1.41	1.13 (0.95)
12. MTCI	1.10	1.51	2.90	2.56	2.02 (1.21)
13. HMT	31.20	40.38	65.50	58.33	50.84 (32.14)
14. ISW-Burn	N.A.	N.A.	N.A.	17.82	15.36
15. Scooters (I)	Not in production	Not in production	6.00	0.17	0.06
TOTAL	280.71**	408.50**	548.50**	492.62** (Including ISW-Burn 510.44)	454.58** (Including ISW-Burn 469.94 (335.31)

* Figures in brackets in the last column relate to the April '73-February '74 period.

** Excluding ISW-Burn's output which is not available.

TABLE II

Plan Provisions for Heavy Industry Units in the Public Sector

(Rs crores)

Unit	1974-75 (Budget)	1974-75 (Revised estimate)	1975-76 (Budget)	1975-76 (Plan outlay)
1. BHEL	—	—	25.15	25.15
2. HEC	3.60	3.10	2.00	2.00
3. BHPV	0.45	0.45	1.00	1.00
4. MAMC	—	—	1.00	1.00
5. TSL	—	0.14	0.08	0.26
6. BPCL	4.15	3.34	3.50	3.50
7. TST	0.10	0.10	0.17	0.36
8. Jessop & Co.	0.61	2.93	3.80	3.80
9. Braithwaite	0.90	0.30	1.50	1.50
10. Richardson & Cruddas	0.80	1.05	1.50	1.50
11. MTCI	0.55	0.55	1.00	1.00
12. HMT	4.88	4.08	1.63	13.96
13. ISW	—	—	0.50	0.50
14. Scooters (I)	1.16	2.39	0.75	2.00
TOTAL	17.20	18.43	43.58	67.53

gressively from Rs 33.13 crores in April to Rs 53.37 crores in February.

It is encouraging to note that some of the undertakings have now been able to gear up their production to the targets set for them. Bharat Heavy Electricals has been able to achieve fully its target for the 11 months to February. Two of its constituents—the Tiruchi and the Bhopal plants—have even exceeded their targets by 11 and 9 per cent, respectively. The other two plants at Hyderabad and Hardwar showed some shortfalls in the attainment of their targets, but not to very significant extent. In the month of February, three constituents to BHEL exceeded their targets—Tiruchi by 14 per cent, Hyderabad by 13 per cent and Bhopal by 73 per cent. The Hardwar unit fulfilled the target set for it. Jessop and Company too has done equally well. It was able to exceed its target for the 11 months to February by as much as 33 per cent. The targets for the 11 months to February were attained by the other units to the following extent : HEC 88 per cent; BHPV 54 per cent; MAMC 73 per cent; TSL 74 per cent; BPCL 32 per cent; TSP 83 per cent; Braithwaite 90 per cent; Richardson and Cruddas 93 per cent; Gresham and Craven 80 per cent; MTCI 79 per cent; HMT 87 per cent; ISW-Burn 86 per cent; and Scooters (I) 35 per cent. The February targets have been achieved by these units to the following extent : HEC 84 per cent; BHPV 94 per cent, MAMC 108 per cent; TSL 89 per cent; BPCL 14 per cent; TSP 68 per cent; Braithwaite 89 per cent; Richardson and Cruddas 107 perc ent; Gresham and Craven 107 per cent; MTCI 73 per cent; HMT 91 per cent; ISW-Burn 119 per cent; Scooters (I) 35 per cent.

TABLE III

Production Achievement of Public Sector Undertakings under the charge of Department of Heavy Industry

(Rs crores)

Month	Target	Actual	%Achievement
April, 1974	33.13	24.86 *17.34	75
May, 1974	38.17	31.11 *21.69	81
June, 1974	40.02	36.12 *23.39	90
July, 1974	44.47	35.47 *24.72	79
August, 1974	43.79	42.07 *26.03	96
September, 1974	51.05	42.81 *29.26	84
October, 1974	48.66	44.20 *25.42	91
November, 1974	48.84	48.39 *28.47	99
December, 1974	51.22	50.29 *34.84	98
January, 1975	53.22	51.99 *38.07	98
February, 1975	53.37	57.85 *41.86	108
Cumulative April, 74-Feb. 75	510.44	469.94 *335.31	92

*Figures for the corresponding period last year.

The most gratifying fact about the performance of the above units, however, is that the increase in their output has resulted primarily from a better utilisation of their existing capacities. The fresh investment in them by way of addition of some balancing equipment this year has not been more than Rs 60 crores—financed through budgetary support to the tune of Rs 18.43 crores and the balance from internal resources. Next year a provision has been made in the central budget to the extent of Rs 43.58 crores for the expansion programmes of these units. But Rs 25.15 crores out of this is for one undertaking only—BHEL, for its three expansion schemes at Tiruchi (stage II boiler plant), Hardwar (central foundry/forge plant) and Jhansi (transformer manufacture). The total outlay of the above undertakings provided in the next year's Plan is of the order of Rs 67.53 crores. Outlay to the tune of Rs 23.95 crores is proposed to be financed from internal sources. The production of these units next year is expected to go up to nearly Rs 700 crores—a step-up of nearly Rs 150 crores from the likely output this year. As the additional investment is not large, next year should see further significant improvement in the utilisation of the capacities of the undertakings. The inflationary trends in the economy undoubtedly have helped in the realisations from the products of this engineering sector. But the impact of this factor on the increase in output is not stated to be much as the sales in most cases are governed by contracts.

The increase in output through better utilisation of capacities has resulted in a substantial improvement in the profitability of these undertakings. As against the aggregate loss of Rs 9 crores in 1972-73. they threw up last year a total surplus of Rs 13 crores, after providing for depreciation, interest on loans, etc. This year the surplus is expected to go up to as much as Rs 36 crores. Incidentally, the estimate of surplus at the beginning of the year was Rs 30 crores. To appreciate the improvement in profitability currently note ought to be taken of the increase in costs this year due to sharp rise in prices which has not only raised considerably the material costs but also the wage bills of the undertakings. Since their sale prices have not gone up to the corresponding extents, a substantial portion of the mounting costs has been absorbed by increase in productivity. Not all the above concerns, of course, will be yielding a profit this year. But most of them will do

EASTERN ECONOMIST

Budget Number

EASTERN ECONOMIST dated March 7 is a special number devoted to a discussion of the central budget. As in the previous years, this Budget Number presents an analysis of the budget proposals and a study of the budget documents in the larger economic context as well as in specific details. This issue includes relevant budget literature and statistics. Priced at Rs 10 per copy (postage extra) this special number is on sale with leading booksellers and news agents. Copies can also be had from the office of the *Eastern Economist Limited, Uco Bank Building, Parliament Street, New Delhi-110001*. New subscribers, who remit the annual subscription of Rs 100 before April 30, 1975 will also be entitled to receive a copy of this Budget Number free of charge.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Wheat Procurement • Fertilizer Production • Excise on Synthetic Yarns and Fabrics

NOTWITHSTANDING THE sharp reaction of not only the opposition members but also of several members from the ruling party, the declaration by the minister of state for Agriculture, Mr A.P. Shinde, in the two houses of Parliament this week about the acceptance by the government of the recommendation of the Agricultural Prices Commission for the maintenance of the procurement price for wheat at the last year's level of Rs 105 per quintal needs to be welcomed. An increase in this price to Rs 120/125, as demanded by the surplus wheat producing states, would have had a very serious impact on the price level which since September has shown some tendencies to stabilise. The critics of the government's decision apparently were more motivated by political considerations than the economic ones when they assailed Mr Shinde's statement. This is the only inference which can be drawn from their advocacy of about 20 per cent increase in the procurement price for wheat in a year in which the crop is expected to be bumper. The winter rains, indeed, have had a very salutary effect on the crop prospects. The benefit of this surely cannot be denied to the nation as a whole.

unwarranted fears

The fears of some members that the maintenance of the procurement price at the last year's level would inhibit farmers from growing more wheat next year are unwarranted. This is an apprehension that has been expressed many a time in the recent past. But the decline in wheat output during the last three years has not been due to any large-scale shift in the area from under wheat cultivation to the growing of some other crops. The major factors contributing to the setback to wheat production have been the unfavourable weather conditions, the difficult supply of fertilisers, the problem of improved seeds, etc.

Forestalling a sharp reaction to its decision, the government, however, has decided, along with the maintenance of the procurement price at the last year's level, to introduce a bonus scheme for farmers who would cooperate in the procurement drive. An announcement to this effect has also been made by Mr Shinde. The details of the bonus scheme, of course, have yet to be finalised.

With a view to maximising procurement, particularly in the surplus producing states, the restrictions on the movement of wheat from one state to another have been maintained. All inter-state movements are envisaged to be on government account. The state governments have been given the freedom to devise their own measures of procurement; they can resort to purchases in regulated markets and/or a levy on producers.

issue price retained

The issue price of wheat for stocks released from the central pool for the public distribution system has been kept unchanged. The increase in the railway freight for foodgrains traffic, announced by Mr Kamlapati Tripathi last month, which works out to about Rs 2.5 per quintal, therefore, will have to be borne by the Food Corporation of India. It remains to be seen how far the FCI will be able to absorb this burden itself and how far the burden will have to be borne by the central government if the FCI shows a loss next year.

* * *

Although the production of nitrogenous fertilisers in terms of nitrogen (N) during the first 11 months of the current financial year, i.e. April 1, 1974, to February 28, 1975, at 10.66 lakh tonnes was higher by about 1.09 lakh tonnes compared to the output during the corresponding period last year and approximately 6,000 tonnes more compared to the figure for the whole of 1973-74, it considerably fell short of expectation. During the current financial year as a whole, the output is expected to be 12 lakh tonnes, as against a target of 15 lakh tonnes. The production trend in regard to phosphatic fertilisers too has been no different. The total production during the current year of this type of fertilizers is expected to be 3.5 lakh tonnes in terms of P_2O_5, as againrt the target of four lakh tonnes.

delayed commissioning

The major factor responsible for the shortfalls in the productions of both nitrogenous and phosphatic fertilizers is said to be the delay in commissioning the new units at Kalol, Tuticorin, Barauni and Namrup. They were expected to yield this year nearly 1.57 lakh tonnes of nitrogen and a substantial quantity of P_2O_5, but except for the Kalol unit, which went into production recently, the other units are yet to be commissioned.

Besides the above factor, some unforseen mechanical problems encountered by the Kota, Madras, Durgapur and Cochin units also have contributed to production lags. The Kota unit lost output to the extent of 25,000 tonnes of nitrogen due to prolonged shut-down, initially on account of hooking up the existing unit with the expansion plant and later on owing to equipment failure in the reformer section of the ammonia plant, shortage of coal for power generation and non-availability of cooling water following the closure of canal water. The Madras unit suffered a serious damage to certain sophisticated equipment, initially as a result of power failure and later on owing to explosion in the ammonia plant. The unit, therefore, had to be shut down for about three weeks. Subsequently, reformer tubes also failed. All this resulted in production loss to the extent of about 40,000 tonnes. The Durgapur and Cochin plants could not stabilise their production due to some inherent technological problems and also frequent power failures. Their production loss is estimated around 45,000 tonnes.

Power shortage, in fact, has been affecting production at some other units also, the prominent among them being the Nangal, Gorakhpur and Kanpur units. The Gorakhpur and Kanpur units have lately been subjected to a 50 per cent cut in power supply which has resulted in a production loss of about 12,000 tonnes of nitrogen per month. The woes of the Nangal project are too well-known to be repeated here. The power supply to this unit has been curtailed very frequently due to the shortfall in generation by the Bhakra system.

In addition to power cuts, fluctuations in voltage and sudden break-downs continued to seriously inhibit efficient plant operation and hence production. The plants affected by this are the Durgapur, Gorakhpur, Trombay, FACT and Madras units.

The slight improvement in the overall production of nitrogenous fertilisers during the current year has resulted from somewhat better utilisation of the existing capacities despite power scarcity in some areas: the only major addition to capacity very recently has resulted from the commissioning of the Kalol unit. Earlier during the year, the capacity had been increased only marginally from 19.39 lakh tonnes to 19.82 lakh tonnes through the commissioning the Kota expansion scheme during the second half of 1974. The overall capacity utilisation which had dropped from 65.25 per cent in 1972-73 to 54.7 per cent during 1973-74 has gone up again to 60 per cent. If the Neyveli, Rourkela, Cochin, Durgapur and Udyogmandel plants, which have their own problems, are excluded, the capacity utilisation works out to around 73 per cent for the current year. The Durgapur and Cochin plants, as mentioned above, suffer from some serious technological problems. The performance of the Rourkela plant depends a great deal on the availablity of coke oven gas. The supplies of this gas have remained unsatisfactory for a long period. The Neyveli and Udyogmandel units suffer both from technological troubles and feedstock constraints.

improvement expected

The situation during the next financial year, of course, is expected to improve very significantly as a result of the commissioning of the Barauni, Namrup expansion and Tuticorin schemes. All these have been mechanically completed. With these plants going on stream, the total nitrogenous fertiliser manufacturing capacity would go up to 27.54 lakh tonnes. The production of phosphatic fertilizers too should show a marked improvement, as the above three schemes would raise the capacity in this line of manufacture to about 7.33 lakh tonnes.

With a view to overcoming the difficulties created by power shortage as well as wide fluctuations in voltage, the union government is understood to be seriously considering the setting up of captive power generation facilities in most of the fertiliser manufacturing units. Efforts are also being made to stabilise production at the Durgapur and Cochin plants, which incidentally represent the country's first two major efforts towards indigenisation of equipment as well as expertise. An end-to-end survey of the Durgapur plant has been completed recently. The necessary modifications on the basis of this survey, it is however expected, can be completed in 18 to 24 months. The same is more or less the case with the Cochin plant. Various remedial measures such as debottlenecking, renovation, etc., are being taken in several other plants. A loan of $17 million has been negotiated with the World Bank for the plant operation improvement programme.

* *

How grossly the union ministry of Finance has underestimated the proceeds from some of the additional excise levies proposed by the Finance minister, Mr C Subramaniam, on February 28, should be evident from the contention of the Federation of Hosiery Manufacturers' Associations of India. According to this federation, the net additional receipts from the synthetic yarn and fabrics industry alone from the changes effected in the excise duties on its products would be nearly double the figure of Rs 32 crores (net) estimated by the Finance minister. Mr Subramaniam has increased steeply the excise levy on base yarns and scaled down from 15 to 10 per cent the duty on fabrics, with the result that whereas the latter step is estimated to cost the central exchequer nearly Rs 22 crores, the former will result in additional receipts to the tune of nearly Rs 54 crores.

A spokesman of the Federation of Hosiery Manufacturers' Associations pointed out in a talk with the pressmen here last week that the relief granted by the Finance minister in the excise on fabrics was illusory as the reduced duty of 10 per cent was to be paid now on a much higher base thanks to the steep increase in the duty at the yarn stage. If the additional capital requirements of fabric manufacturers were taken into consideration, the increase in the cost of manufactures, which will determine the ex-works prices of fabrics, would be to an extent which would practically offset the effect of the five per cent scaling down of the duty on fabrics.

In a memorandum to Mr Subramaniam, the hosiery manufacturers have drawn his attention to the sharp increase in their cost of production, resulting from the changes he has proposed in the excise levies and the cost of caprolactum which had gone up before the presentation of the budget following the entry of Gujarat State Fertilisers Corporation in the market. As a result of these two developments, one kilogram of nylon textured yarn of popular deniers, which used to cost the hosiery industry just Rs 30.50 — Rs 7 cost of caprolactum and Rs 23.50 excise burden — in the middle of 1973 and Rs 67 — Rs 40 cost of caprolactum and Rs 27 excise duties — beforde February 28, is now costing as much as Rs 112.80 — Rs 40 caprolactum cost and Rs 72.80 excise duties. The industry feels, and rightly so, that this sharp rise in the cost of its main raw material will not only create a huge problem for it in respect of finances but also will price out its products in the world market. The domestic consumer too will have to pay substantially more for its products. All this is bound to cripple the industry.

Unless the steep increase in excise levies on synthetic yarn is realistically brought down, it is feared that smuggling of synthetic textiles would re-emerge on an extensive scale. According to the Federation of Hosiery Manufacturers' Associations, a smuggler can now have eight out of ten consignments confiscated by the customs authorities and still make an overall 100 per cent profit from the two undetected consignments.

The increases proposed by Mr Subramaniam in the excise duties on copper, zinc and aluminium are understood to have been taken exception to by the steel ministry. This ministry is stated to have drawn the attention of the Finance minister to the adverse effect his proposals would have on the cost structure in the economy as well as the likely malpractices that may develop in the non-ferrous metals market.

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POINTS OF VIEW

What the North Eastern Council is about

T. P. Khaund

THE NORTH Eastern Council, which came nto being a little over two years ago as a novel institution for effecting socio-economic development of the north-eastern region of the country, does not appear to have been fully and properly appreciated even by the educated and the professionals and, consequently, there have been some misunderstandings about the functions of the council as also the objects it seeks to serve. It is therefore necessary to bring out clearly the composition, nature and scope of the North Eastern Council, and the objects which this body is intended to serve.

fascinating land

The north eastern region comprising the five states of Assam, Manipur Meghalaya, Nagaland and Tripura and the two union territories of Arunachal Pradesh and Mizoram, is tucked away in one corner of the country and is surrounded by foreign lands on three sides. It covers an area of a little over 2,55,000 square kilometres with a pupulation of nearly 20 million. The region is all but cut off from the mainland of India. With varied topographical climatic and social conditions, it is indeed a fascinating land, peopled with communities speaking different languages and having different levels of economic development. Complexities inherent in a society of heterogeneous people having differing political aspirations add to the uniqueness of the region The density of population in the region. varies from less than six persons per square kilometre in Arunachal Pradesh to 150 persons in Assam. The population of this region is predominantly rural, ranging from 85 per cent of the total population in Meghalaya to 96 per cent in Arunachal Pradesh as compared to the all-India average of 80 per cent. Consequently, agriculture and allied activities continue to be the main source of livelihood of the people living in this region.

With moderate to very heavy rainfall the region is abundantly endowed with forest and other natural resources. Yet, for all the natural wealth the region can boast of, it has failed to keep pace with the economic progress achieved in other parts of the country. Both from historical and geographical causes, the region has remained economically backward in the midst of plenty. Apart from the lack of technical and administrative infrastructure of development, a number of factors inhibit the development of this region. The important ones are difficulties of transport and communications and non-availability of cheap and adequate power for agriculture and industries. Rail transport links this region with the rest of the country only through Assam. Even in Assam, the absence of the broad-gauge system results in transhipment delays and losses due to pilferage and otherwise during transit from broad-gauge to metre-gauge and vice-versa.

Four states in the region do not have any rail links, and transportation has to be largely by road. The system of road transportation is far from satisfactory, the road length per 100 square kilometres ranging from 5.6 km. in Arunachal Pradesh to 26.0 km. in Nagaland as compared to the all-India average of 29.0 km. At the same time, the cost of transportation by road is very high in relation to movement by rail. The road transport system also suffers from the absence of through composite traffic permits for movement of goods and services from one state to another within the region.

low per capita income

The backwardness of the region is reflected in the per capita income of the people which is much lower than the all-India average. Thus, as compared to a per capita income in 1969-70 of around Rs 601 in the country as a whole that among the states and union territoies of this region varied between Rs 300 and Rs 500. The region, therefore, requires much greater help for rapid economic development than other parts of the country.

It will be appropriate here to recount the considerations that prompted the government of India to constitute the North Eastern Council. The administrative reorganisation of the north-eastern region during 1971 resulted in the formation of a number of states. This political restructuring of the region did meet, by and large, the political aspirations of the different sections of the people inhabiting this region. But the basic problem of economic and social development of the area still remained. The seven political units of this region are small in size and hardly viable from the financial point of view. These units are so situated that any major development taking place in any one unit is bound to have effect beyond its boundaries in other units.

requirements of planning

In modern times, economic and industrial operations are of such size and proportions that it is difficult for small units to function effectively on their own and without cooperation and help from others. Besides, the cost of implenting large sized projects is so enormous that without financial assistance from other sources no state or union territory in the region can contemplate undertaking such projects on their own. In spite of superficial differences among the different units, the entire region can well be treated as one unit for the purpose of economic planning, because of the underlying similarity and commonness amongst the units.

Cooperation in the field of economic planning is not only of advantage to each unit, but almost unavoidable and essential. It is similar compelling economic considerations that promoted the getting together of the European Economic Community to solve common economic problems through mutual cooperation, although some of the member nations of this community were at war only a few years earlier. In the situation in which this region is placed, there seems no alternative before the constituent units but to act together in coordination and unison for rapid economic development of the region. The North Eastern Council is expected to provide an institutional forum for such cooperation and coordination for effective economic integration of the region.

Although the North Eastern Council came into being on August 1, 1972 by an act of Parliament it was formally inaugurated by the prime minister on November 7, 1972. The members of the council are the heads of the states of the seven political units in the region—the government of the five north-eastern states, the Lt. governor of Mizoram, the chief commissioner of Arunachal Pradesh and the six chief ministers of Assam, Manipur, Meghalaya, Nagaland, Tripura and Mizoram. Arunachal Pradesh is represented on the council also through a counsellor, nominated by the chief commissioner. The common governor of the five states is the chairman of the council appointed by the President of India. The council is an advisory body. Although it has a secretariat, the council has no executive functions or powers. It has no funds or resources of its own. While it is neither an organ nor an extension either of the central government or of the state governments or union territory administrations of the region, it works in close concert and consultation with them.

advisory body

In accordance with Section 4 of the North Eastern Council Act 1971 the council shall be an advisory body and may discuss any matter in which some or all of the states represented in that council, or the union and one or more of the states represented in that council, have a common interest and advise the central government and the government of each state concerned as to the action to be taken on any such matter, and in particular, may discuss and make recommendations with regard to:

(i) any matter of common interest in the field of economic and social planning;

(ii) any matter concerning inter-state transport and communications;

(iii) any matter relating to power or flood control projects of common interest.

For securing the balanced development of the north-eastern area, the principal functions of the council as defined in the act can be summarised as:

(a) formulation of a unified and coordinated regional plan in regard to matters of common interest;

(b) fixation of priorities of projects and schemes and their phasing for implementation;

(c) deciding upon the location of projects and schemes included in the regional plan;

(d) recommending the allocation of benefits and expenditure to the member units with regard to the projects in the regional plan;

(e) reviewing and coordinating implementation of the projects included in the regional plan; and

(f) recommending the initiation of surveys and investigations of projects in the regional plan.

supplemental planning

The regional plan formulated by the council is to be in addition to the plans prepared by the states and union territories of the region and by central government in the central sector. It will, therefore be supplemental to the efforts of the states and the centre in this region. The schemes drawn up by the council are to be of a regional nature, that is, such schemes the benefits from which can be shared by more than one state, keeping in view that there is no duplication of efforts elsewhere on similar schemes.

The principal task of the council is to provide effective solutions to the basic problems inhibiting economic growth of the region. While developmental activities at the field level would continue to be the responsibility of the state governments and would find place in the state plans, the council aims through its regional plan, to tackle fundamental problems of research, training, production of foundation seed material, investigations, removal of infrastructural deficiencies etc., so that the economy of the region acquires a self-generating and self-sustaining growth.

Although, under the act, the council may not have any executive functions, it is possible for the council to assist in or to initiate the setting up of regional executive bodies which, on behalf of the council, can take up the implementation of regional projects which for their size or for other reasons may be difficult for individual units to implement. The council also intends to provide in its secretariat expert advice and services in different developmental sectors to the constituent units through its staff of technical experts.

The funds for the schemes proposed by the council are to come from the central government. The council secretariat ensures the necessary coordination with the Planning Commission and the concerned ministries of the government of India in the matter of examination of the schemes and issue of sanctions.

effective start

In its none-too-long an existence the council can definitely be said to have made an effective start in contributing to the efforts of this region in its march towards economic development and progress. By relentlessly pursuing with the central government authorities the question of rationalisation and expansion of the railway system in the north-eastern region, the council was able to pursuade the central government to take up the extension of the broad-gauge railway line from New Bongaigaon to Gauhati during the fifth Plan and to undertake surveys for seven new railway lines in different parts of the region for which the council is providing the necessary funds.

A detailed and comprehensive survey and investigation of the power potential of the region, with a view to drawing up some definite schemes of power generation, is also under way as recommended by the council. Further, a survey to assess the manpower needs of the region with reference to the requirments in the states for the developmental programmes during the fifth Plan period has been uudertaken under the aegis of the council. As part of the programme for the development of communications in the region, surveys on the feasibility of ropeways have been started. In the animal husbandary and veterinary sector a number of regional schemes are under implementation by the various constituent units. Schemes have been taken up in the agricultural sector also. A number of other schemes and surveys/studies are under contemplation and examination.

The council has approved a regional Plan for five years (1974-79) which is now being taken up for implementation year by year and the annual Plan for

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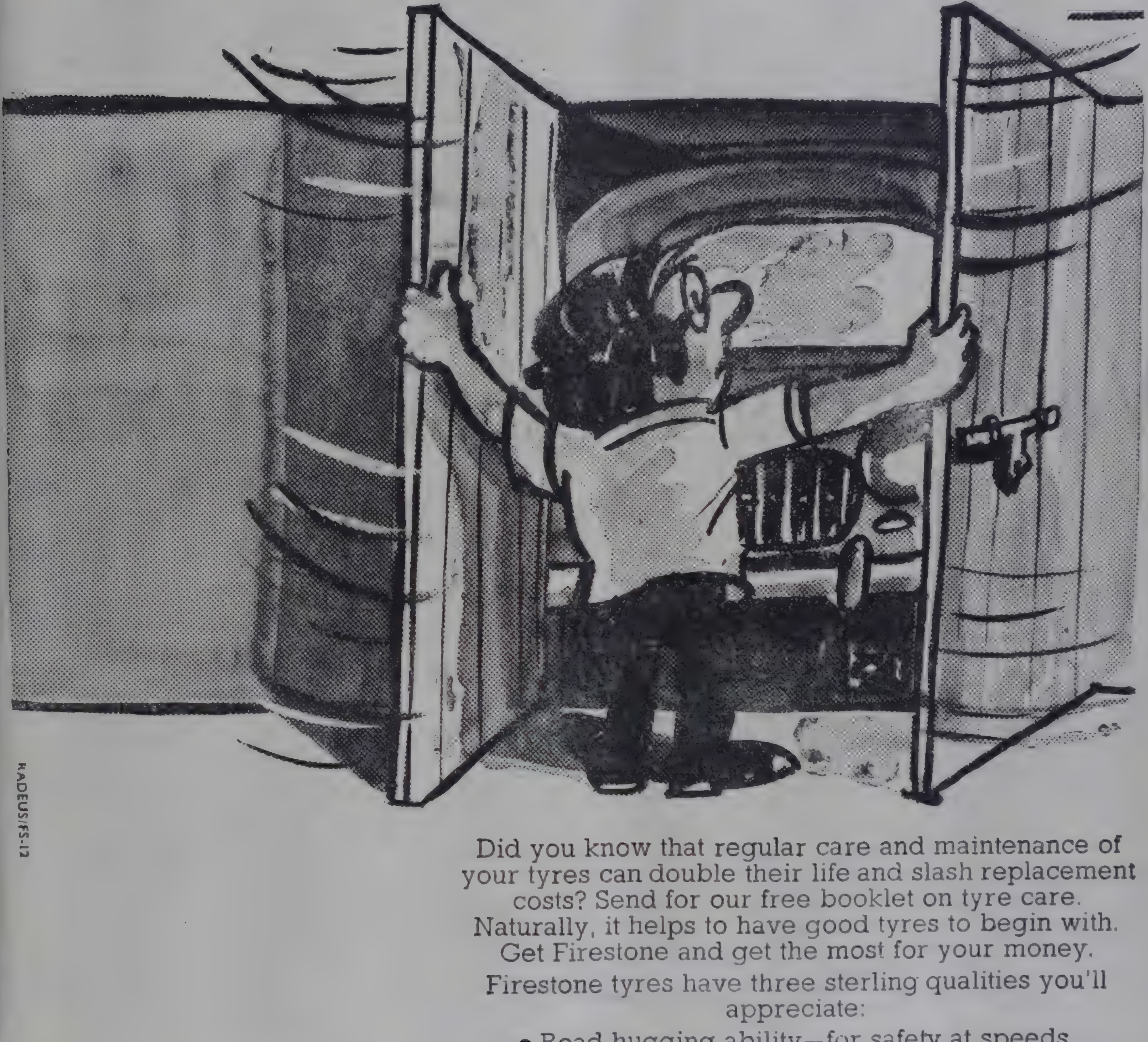

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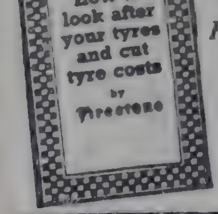
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1974-75 has already been finalised, approved and funds allocated for different schemes. As mentioned earlier, the allocation for the five-year Plan is Rs 100 crores, while the money available for 1974-75 is about Rs 20 crores. What has been evolved in the Regional Plan is a set of supplementary programmes of a nature which cannot be tackled in their entirety by the constituent units or which will be of benefit to more than one state. The regional Plan attempts to overcome some of the infrastructural shortcomings that affect economic development in the states and union territories of the region. The outlays for the major sectors in the regional Plan are about Rs 18 crores for agriculture and allied programmes, Rs 46 crores for power development and about Rs 27 crores for roads, ropeways and railways. A regional medical college is contemplated to be started in Manipur.

An erroneous impression that seems to have gained ground in certain quarters is that the North Eastern Council is designed to be a super-body constituted by the government of India to exercise administrative and political control over the states and union territories of this region and, thus, it will curb the autonomy of these states. This is however far from truth. In fact, this has never been the intention of the government of India. Inaugurating the council on November 7, 1972 the prime minister, Mrs. Indira Gandhi, emphatically removed all such misconceptions when she said : "It (the Council) is not a super-government. It does not abridge the powe the states and union territories in manner whatsoever. It is not an exten of the union government. It is an a sory—not a supervisory body........ ....The central government not use the council to interfere with affairs and functioning of the var governments of this region".

There should, therefore, be no roon my misunderstanding about the nature scope of the council. It is an org sation of the seven political units of region to act as a sort of cata agent with the object of inspiring activising the member units into de mined and planned development of region through mutual respect, good and understanding.

Worsening food situation in Tamil Nadu

T. V. Sivaraman

WITH THE worst ever drought ravaging Tamil Nadu the price of rice—the staple food of the people—has doubled in the state in the course of a year. The yield from the short-term Kuruvai crop had dwindled considerably and there is a large reduction in the acreage under the standing Samba. Irrigation and drinking water sources in many areas have dried up and extensive stretches of farm land present a parched look.

The state government has estimated the shortfall in food production this year by two million tonnes—nearly 30 per cent of the normal output. It sent an SOS to New Delhi earlier this year for the supply of at least 100,000 tonnes of foodgrains every month until October. After a study by the revenue officials a relief work programme costing Rs 50 crores was drawn up to create employment and increase the purchasing power of the people. The government wants the centre to find half of this massive outlay. In the context of the recommendetions made by the sixth Finance Commission against central assistance to states for 'ad hoc' expenditure on drought relief works, the union Finance minister has indicated his readiness to provide the amount as an advance plan allocation. But the state government seeks to treat this sum as a long-term loan.

The ruling party has attributed the sudden setback in production to the scantiest rainfall of the century—the shortfall in 1974 was as much as 62 per cent against the deficiency of slightly more than 50 per cent in four seasons in the last hundred years. While it is anxious to pump in more purchasing power in the hands of the rural people, opposition parties, including the Congress, stress that the unprecedented high prices of rice and scarcity of the commodity throughout last year were the making of the DMK and they have no sympathy for the government at a time when nature has also turned against it. A bad food situation in an election year would mean serious consequences to the ruling party and it is still green in our memory that the Congress government was thrown out in the 1967 election mainly because of its inept handling of the food situation.

Any upset on the farm front affects larger sections of the people because agriculture contributes not only 34 per cent of the net domestic product but also supports 74 per cent of the population in the state. It may be interesting to examine how in a year when there was a slight surplus food prices were allowed almost double.

The net sown area in the stat about 49 per cent of the total geograp cal area of 13 million hectares. Wh the area sown more than once is 1 million hectares, about 74 per cent of gross cropped area is under food cro The total irrigated area is 3.76 mill hectares and over seventy per cent of t is under paddy. Thus three-fifths of net sown area still depend on rainfall a this shows how farm production in Ta Nadu is exposed to the vagaries of weather. Yet farming had reached a le of self-sufficiency through a package modern practices. From 5.36 million to nes in 1966 cereal output has jumped seven million tonnes in 1974. The cere requirements of the population at 4 grammes per day per adult and 2 grammes per child show that with t existing level of production there can a small surplus in the state.

For the production potential creat over the years especially in rice, the ou put originally anticipated in the last agr cultural season was 7.9 million tonnes. B due to paucity of fertilisers and the dr spell over some areas the target was r vised to 7.4 million tonnes. Although actual production statistics are as yet not available, it is estimated that production of rice was 5.5 million tonnes and other coarse grains 1.5 million tonnes. This should have enabled the state to have a surplus of some 1.3 million tonnes, after providing six per cent for purposes of seed and wastage and 5.3 million tonnes for consumption for a population of 43.48 million.

Instead of being in a comfortable position, the state has run into deficits in 1974 and rice had to be rushed from Andhra Pradesh. The price of rice jumped from Rs two per kg in January 1974 to Rs 2.45 per kg in April and further to Rs three per kg in June when there was a near riot situation in Madras city and belt areas with people trying to loot foodgrain shops. Although the situation was brought under control, rice price was still going up and has ruled at Rs 4.10 per kg since October-November. The state government could do precious little to contain the prices. On the other hand, it blamed the centre for allowing inter-state trade in coarse grains which according to it resulted in the entire stocks of coarse grains moving out of the state. In the face of a shortage and high prices regular coarse grain consumers switched over to rice and consequently the supply position for rice became tight pushing up the prices.

large-scale smuggling

The opposition charge, however, is that the state government had winked at large scale smuggling of rice from Tamil Nadu and the people involved in the illegal business were mostly DMK men. Relying on high production estimates it is alleged that much more than the possible surplus was spirited away from the surplus areas. In view of the 1971 illegal rice export scandal which was hotly debated in the assembly, people have come to take the denial of these charges by the authorities only with a pinch of salt.

If the theory of large scale smuggling is ruled out, then it must be that either the government has failed to unearth hoarded stocks or its production statistics are grossly exaggerated. If production was actually down then it would also mean that as on the industrial front the state has suffered a setback on the farm side also taking its progress back to the level obtaining five years ago.

That the government had remained complacent is clear from its failure to build a sufficiently large buffer stock. It had rather adopted a quixotic policy in regard to food procurement. While prices were going up in April it relaxed movement curbs in all districts except Thanjavur. In June the levy procurement of paddy and rice was abolished throughout the state and movement restrictions from Thanjavur was also lifted. But following massive movement of grains from the rice bowl, Thanjavur was again cordoned off within three days. After the food agitation in Madras, government's efforts to unearth hoarded stocks also failed. Inter-district movement was banned in September and once again the government clamped levy on paddy producers. The levy was extended to Thanjore from the middle of December. The state has also obtained permission from the centre to impose a levy on coarse grains from producers as well as dealers.

untold suffering

In Tamil Nadu where there is a preponderance of consumption of cereals—14 ounces against the balanced diet requirement of 12 ounces—the doubling of price of rice has spelt untold sufferings to the people. At current prices a family of five adults would require rice worth Rs eight per day against Rs four in January 1974 and Rs 2.70 in January 1971. With the per capita income at Rs 368 per annum the family may be running a deficit of Rs 90 per month on account of rice alone.

The average earning of a worker in the organised sector of industry in the state is Rs 350 per month and with a single working member a family of five will have to spend at least 70 per cent of its income on cereals alone against 18 per cent spent by households in the middle and lower income brackets of Rs 301-400 in cities like Bombay. The simmering discontent among the Tamil people on account of the rice price spiral therefore is bound to affect the poll prospects and that is why both the state and the centre are more than concerned with the situation.

In a bid to keep down prices and provide relief to the people the state government has fixed maximum retail selling prices for different varieties of rice. They are: Coarse Rs 1.90 per kg, medium Rs two per kg, fine Rs 2.10 per kg and superfine Rs 2.20 per kg. These are just fifty per cent of the ruling prices. The low income-group in Madras and other areas covered under the present limited distribution system would get these at 30 paise less than the above rates. Under the new levy scheme private trade has been prohibited from purchasing paddy from farmers in the surplus areas. Instead the excess grains after government levy would be purchased by cooperatives at slightly higher than the levy procurement rates.

inefficient cooperatives

But will the cooperatives, already notorious for corruption and inefficiency, deliver the goods? Do they have the wherewithal and expertise to operate in this field? The government claims to have put enough funds with the cooperatives for the operation, but farmers and other agricultural interests are not sanguine about their success. According to some farmers the state government itself is to be blamed for the failure on the food front.

Chemical fertilisers on which today's farm progress depends, are not made available to the ryots at economic prices and on time. The prices of urea and compound fertilisers have gone up three times in the last one year. Irrigation, ploughing and replanting charges have also more than doubled. Only the harvesting wages paid mostly in kind, remain unaltered. Farmers are of the opinion that in view of the sharply increased cost of cultivation, they cannot be forced to sell their produce especially in a drought year at throw-away prices. Many feel that by fixing the maximum retail selling prices of rice the government would only be driving away stocks underground.

The state government has now announced the postponement of collection of land revenue and other taxes amounting to Rs 10 crores. It has also announced some incentives for raising a third crop in select areas. Hopes of substantial central assistance to ward off the famine are also there. With only about 150,000 tonnes on hand at the beginning of the year, the government is not able to extend the limited distribution system or introduce rationing. But whatever assistance is received it should be equitably distributed among the people and it is for the state government to strain every nerve to bring back normalcy on the food front without seeking excuses for its lapses.

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WINDOW ON THE WORLD

What Margaret Thatcher thinks

London

Jossleyn Hennessy

> Jossleyn Hennessy has, in his capacity as our representative in London, been in and out of the corridors of Westminster for the past 22 years. He has often heard Mrs Thatcher hold her own in the cut and thrust of parliamentary debates, and talked to her in private gatherings. This article outlines her political aims.
>
> —**Editor**

I

Why "Maggie" Replaced "Ted"

WHEN THE Tories defeated Mr Wilson's Labour government in June, 1970, Ted Heath's position was impregnable, for the victory was his alone. He had rallied the country by attacking Mr Wilson's Socialism and creeping nationalisation and by offering scope for initiative and free enterprise. For reasons that I need not recapitulate, but which, I think, were mainly due to bad advice, Mr Heath reversed these policies in a series of U turns, until the voters could see no difference between him and Mr Wilson, and said in effect "If those policies are right, they had better be carried out by the party which has always stood for them". So Harold Wilson returned to power.

While there was some tough in-fighting between the candidates for the Tory leaderships, now that Margaret Thatcher has clearly emerged so far ahead of her nearest rival, the Tories have closed their ranks behind her. What is more, her election has proved enormously popular with the press and public, and the Tories now find themselves in the lead in the opinion polls for the first time for over a year.

I know Mrs Thatcher to combine courage, determination, political ability and ready wit with personal charm. When I came to consider what I might report to you about her future policies, I remembered that I had heared her outline her political philosophy at the Conservative Party Conference in 1968. I looked through my files and found it. I summarise it below because I know that her philosophy remains unchanged. Much of it would, I suggest, be relevant to political and economic conditions in India. Are you listening there, Indira?

People have come to doubt the future of the democratic system and its institutions. They distrust the politicians and have little faith in the future. Why?

First, I don't think we realise sufficiently how new our present democratic system is. We still have comparatively little experience of the effect of the universal franchise which didn't come until 1928. And the first election fought on the principle of one person one vote was in 1950. So we are still in the early stages of dealing with the problems and opportunities presented by everyone having a vote.

Secondly, this and other factors have led to a different party political structure. There is now little room for the independent members and the controversies which formerly took place outside the parties but now take place inside. There has to be room for a variety of opinions on certain topics within the broad general principles on which each party is based.

Thirdly, from the party political structure has risen the detailed programme which is placed before the electorate. Return to power on such a programme has led to a new doctrine that the party in power has a mandate to carry out everything in its manifesto. I doubt whether the voters really are endorsing each and every particular when they return a government to power.

This modern practice of an election programe has influenced the attitudes of some electors; all too often one is now asked 'What are you going to do for me?' implying that the programme is a series of promises in return for votes. All this has led to a curious relationship between elector and elected. If the elector suspects the politician of making promises simply to get his vote, he despises him, but if the promises are not forthcoming he may reject him. I believe that parties and elections are about more than rival lists of miscellaneous promises—indeed, if they were not, democracy would scarcely be worth preserving.

Fourthly, the all-pervading development of the welfare state is also comparatively new, not only here but in other countries. In the western world there has been a series of measures designed to give *greater* security. There is no longer a struggle to achieve a *basic* security. Further, we have a new generation whose whole life has been lived against the background of the welfare state. These developments—have had a great effect on the outlook of our people even if we cannot yet assess it properly.

Fifthly, one of the effects of the rapid spread of higher education has been to equip people to criticise almost everything. Some seem to have stopped there instead of going on to the next stage, which is to arrive at new beliefs or to reaffirm old ones. You will have seen in the press that the student leader Daniel Cohn-Bendit has been awarded a degree on the result of his past work. His examiners said that he had posed a series of most intelligent questions. I would have been happier had he also found a series of intelligent answers.

Sixthly, we have far more information about events than ever before and since television news is presented more vividly. It is more difficult to ignore situations which you have seen on film with your own eyes than if you had merely read about them, perhaps skimming the page hurriedly. Television is not merely one extra means of communication, it is a medium which is radically influencing judgements about events and people, including politicians.

Seventhly, our international idealism has received nasty shocks. Many of our people long to believe that if representatives of all nations get together dispassionately to discuss international problems, goodwill will guide them to just conclusions, and peace and international law will be secured. But in practice many nations vote not according to right and wrong but according to their national expediencies. And some of the speeches and propaganda to explain blatant actions would make the angels weep as well as the electorate.

All this explains the disillusion and disbelief we encounter today. The changes have been tremendous and I am not surprised that the whole system is under cross-examination. It is our job continually to retest old assumptions and to seek new ideas. But we must not try to find one unalterable answer that will solve all our problems, for none can exist.

II

The Great Mistake—Too Much Government

The great mistake of the last few years has been for the government to provide or to legislate for almost everything.

Part of this has its roots in the plans for reconstruction in the postwar period when governments assumed all kinds of new obligations- The policies may have been warranted at the time but they have gone far further than was intended or is advisable.

During the early and middle period of our Tory government we were concerned to set the framework in which people could achieve their own standards for themselves subject always to a basic standard. But from the early 1960s the emphasis in politics shifted.

At about that time 'growth' became the key political word. If resources grew by X per cent per annum this would provide the extra money needed for the government to make further provision.

But the result was that for the time being the emphasis in political debate ceased to be about people and became about economics. Plans were made to achieve a four per cent growth rate. Then came the labour government with socialist ideas, i.e. if people didn't conform to the plan, they had to be compelled to. Hence compulsion on Prices and Incomes Policy and with it the totally unacceptable nation that the government shall have the power to fix which wages and salaries should increase.

We started off after the war with a wish on the part of the people for more government intervention in certain spheres. This was met. But there came a time when intervention got so great that it could no longer be exercised in practice by cabinet ministers but only by more and more officials. Now it is difficult if not impossible for people to get at the official making the decision, and so, paradoxically, although the degree of intervention is greater, the government has become more and more remote from the people. The present result of the democratic process has therefore been an increasing authoritarianism.

impersonal authority

The *Daily Telegraph* published a poll which showed how people were reacting against this rule of impersonal authority. The question was 'In your opinion do people like yourselves have enough to say, or not, in the way the government rules the country (68 per cent said not enough), the services provided by the nationalised industries (67 per cent not enough), the way local authorities handle things (64 per cent not enough—note this rather high figure; people don't like remote local authorities any more than they like remote governments).

Recently more and more articles have appeared about involving people more closely with decisions of the government and enabling them them to participate in some of those decisions.

But the way to get personal involvement and participation is not for people to take part in more and *more* government decisions but to make the government *reduce* the area of decision over which it presides and consequently leave the private citizen to 'participate' by making more of his own decisions. What we need now is a far greater degree of personal responsibility and decision, far more independence from the government and a comparative reduction in the role of government.

These beliefs have important implications for policy.

III

Prices and Incomes

The most effective prices policy has not come by controlling prices by the government, through the Prices and Incomes Board, but through ensuring that competition flourishes.

There have been far more price cuts in the supermarkets than in the nationalised industries.

This shows the difference between (a) the government doing the job itself and (b) the government creating the conditions under which prices will be kept down through effective competition.

On the incomes side, there was confusion among voters about where the parties stood. This was not surprising in the early days because a number of speeches from both sides of the House showed a certain similarity. For example here are four separate quotations—two from the Labour government and two from the Tory period of office. They are almost indistinguishable.

1. 'Increases in the general level of wage rates must be related to increased productivity due to increased efficiency and efforts'. (White Paper on Employment Policy, 1944).

2. 'It is essential therefore that there should be no further general increase in the level of personal incomes without at least a corresponding increase in the volume of production.' (Sir Stafford Cripps, 1948).

3. 'The Government's policy is to promote a faster rate of economic growth...But the policy will be put in jeopardy if money incomes rise faster than the volume of national production.' (Para. 1 of Income Policy, *The Next Step*, Cmnd 1626, February 1962)

4. '..the major objectives of national policy must be..to raise productivity and efficiency so that real national output can increase and so keep increases in wages, salaries and other forms of income in line with this increase.' (Scheduled 2, Prices and Incomes Act 1966).

All of these quotes express general economic propositions, but the policies which flowed from them were very different. The Tories rejected from the outset the use of compulsion. The role of the government is not to control each and every salary that is paid. *It has no means of measuring the correct amount.* Moreover, having to secure the state's pproval before one increases the pay of n employee is repugnant to most of us.

We now put so much emphasis on the ontrol of income that we have too little egard for the essential role of government, which is the control of money upply and management of demand.

Greater attention to this and less to he outward detailed control would have chieved more for the economy. It would nean, of course, that the government ad itself to exercise some of the disciplines on expenditure that it is so anxious o impose on others. It would mean hat expenditure in the vast public sector would not have to be greater than the amount which could be financed out of taxationplus genuine saving. For a number years some expenditure has been financed by what amounts to printing the money.

IV

Tax and the Social Service

The second policy implication concerns taxation and the social services. It is no accident that the Conservative party has been one which has reduced the rates of taxation. The decisions have stemmed from the belief that government intervention and control reduces the role of the individual, his importance and the desirability that he should be primarily responsible for his own future.

When it comes to the development of the social services, the policy must mean that people should be encouraged if necessary by tax incentives to make increasing provision for themselves out of their own resources. The basic standards through the state would remain as a foundation for extra private provision. Such a policy would have the advantage that the goverment could concentrate on providing things which the citizen can't. Hospitals are one example.

V

Independence from the State

If we accept the need for increasing responsibility for self and family, we must stop approaching things in an atmosphere of restriction. There is nothing wrong in people wanting larger incomes. It is worthy objective for men and women to wish to raise the standard of living for their families and to give them greater opportunities than they themselves had. I wish more people would do it. We should then have fewer saying the state must do it.'

What is *wrong* is that people should want more without giving auything in return. The condition precedent to high wages and high salaries is hard work. This is a different and much more stimulating approach than one of keeping down incomes.

Doubtless some will say that we are only interested in more money. This is not so. Money is not an end in itself. It enables one to live the kind of life of one's own choosing. Some will prefer to put a large amount to raising material standards, other will pursue music, the arts, the cultures, others will use their money to help those here and overseas about whose needs they feel strongly, and do not let us underestimate the amount of hard earned cash that this nation gives volunterily to worthy causes. The point is that even the Good Samaritan had to have the money to help, otherwise he too would have had to pass on the other side.

In choice of way of life J. S. Mill's views are as relevant as ever:—'The only freedom which deserves the name is that of pursuing our own good in out own way so long as we do not deprive others of their, or impede their efforts to obtain it.. Mankind are greater gainers by suffering each other to live as seems good to themselves than by compelling each to live as seems good to the rest''

These policies have one further important implication. Together they succeed at the same time in giving people a measure of *Independence from the State*—Who wants a people turning to the state for their every need?—also they succeed in drawing power away from governments and diffusing it more widely among people and non-governmental institutions.

VI

The Problem of Size

The second mistake in politics is that we have become bewitched with size. Everything has become so big, so organised, so standardised and governmentalised that there is no room for the individual, his talents, his requirements or his wishes. He no longer counts.

In industry the merits of size have been extolled and too little attention given to its demerits. Size brings great problems. One of the most important is making and communicating decisions. The task is concentrated at the top, and fewer people get used to weighing up a problem, taking a decision and carrying the consequences. The buck is passed. But even after a decision has been made, there is the problem of communicating it to those who have to carry it out in such a way that it is understood and they are made to feel a part of the team. In a large-scale organisation, whether government, local government or industry failure to do this can lead to large-scale mistakes, large-scale confusion and large scale resentment. These problems can, and must be, overcome.

VII

Government Agencies and the Public

The third mistake is that people feel they don't count when they try to get something done through government agencies.

Consider our relations with government departments. We start as a birth certificate; attract a maternity grant; give rise to a tax allowance and possibly a family allowance; receive a national health number when registered with a doctor; go to one or more schools where educational records are kept; apply for an educational grant: get a job; start paying national insurance and tax; take out a television and a driving licence; buy a house with a mortgage; pay rates; buy a few premium bonds; take out life assurance; purchase some shares; get married; start the whole thing over again; receive a pension and become a death certificate and death grant, and the subject of a file in the Estate Duty office!

Every one of these incidents requires a form or gives rise to questions, or is recorded in some local or national government office.

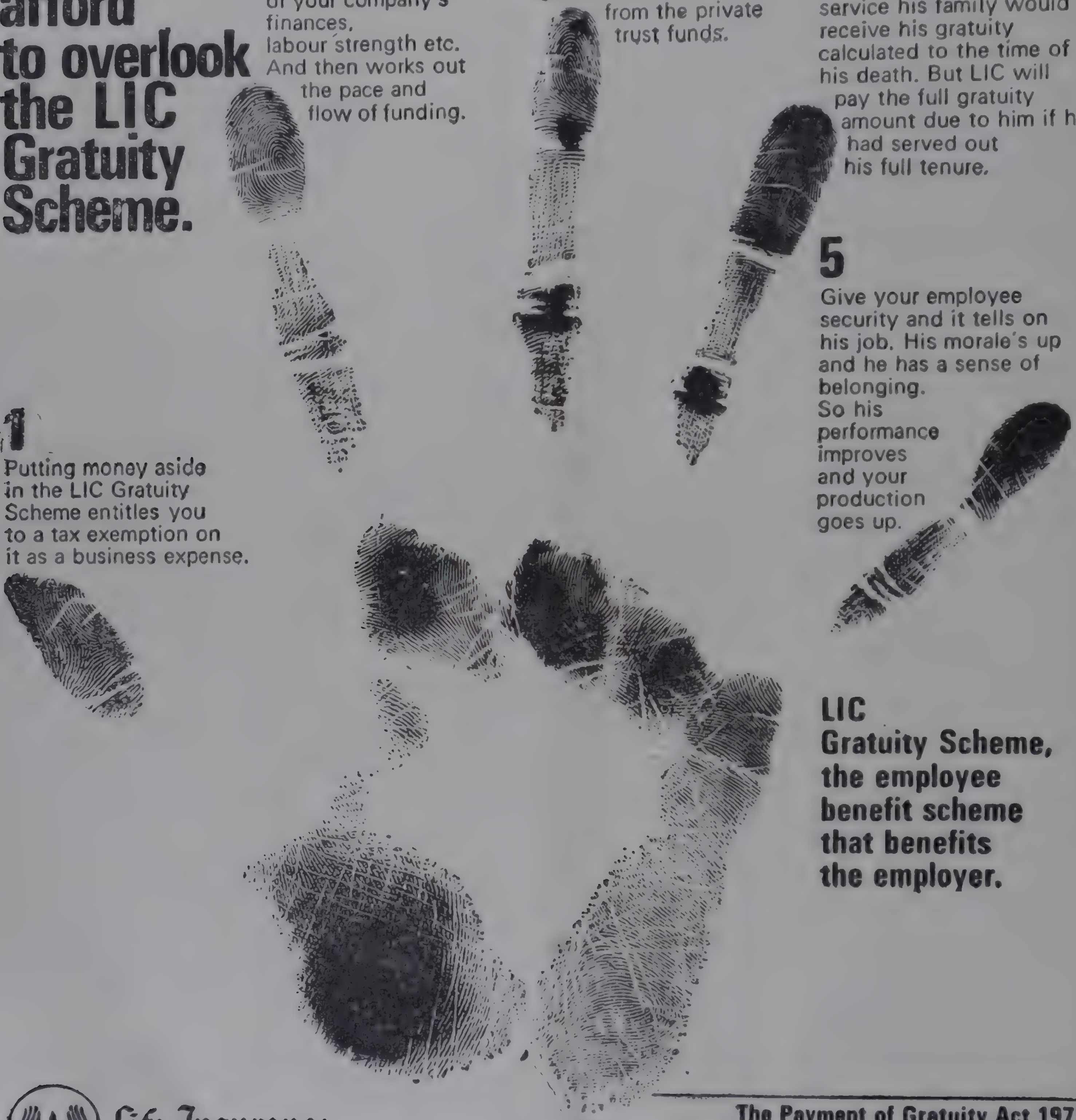
The amount of information collected in the various departments must be fabulous. Life really does seem like 'one damned form after another'.

Much of this form-filling will have to continue but it is time to reassert the right to privacy. Ministers will have to look at this in deciding how to administer their policies. Some politicians suggest that with the advent of computer all this information should be centralised, because this would be time-saving and more efficient. Possibly, but other and more important things would be at stake. There would be produced for the first time a personal dossier about each person, on which everything would be recorded. This would place far too much power in the state over the individual. In the USA there is a Congressional enquiry on this very point because politicians there have recognised the far reaching dangers of such a record.

VIII

The Party Political System

Fourthly, we have not yet appreciated or used fully the virtues of our party political system. The characteristic of the British Constitution is not that there is an alternative *personality* but that there is an alternative *policy* and an alternative government ready to take office. As a result we have always had



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an opposition to act as a focus of criticism against the government. We have therefore not suffered the fate of countries which have had a 'consensus' or central government, without an official opposition. This was one of the causes of trouble in inter-war Germany. Nor do we have the American Presidential system, which has become almost completely one of personalities.

There are dangers in consensus; it could be an attempt to satisfy people holding no particular views about anything. It is more important to have a philosophy and policy which, because they are good, appeal to sufficient people to secure a majority.

A short time ago when speaking to a university audience on the theme of personal responsibility and independence an undergraduate came to me and said 'I had no idea there was such a clear alternative'. He found the idea challenging and infinitely more effective than one in which everyone expects the MP or the government to solve the problems. Democracy is not for suc people. Self-government is for tho men and women who have learned t govern themselves.

No great party can survive except o the basis of firm beliefs about what wants to do. It is not enough to hav reluctant support. We want people' enthusiasm as well.

The Dublin deal and after

E. B. Brook

Vienna

THE PROBABILITY that Britain will decide to remain a member of the Common Market has been distinctly increased by the outcome of the "summit" in Dublin earlier this month. For the most part Britain gained all it was asking for; its partners may now well say that, having been conceded all major improvements in conditions of membership, can Britain still decide to leave the European Community.

the long wrangle

The nine-month wrangle and British aggressiveness in pushing its demands have not increased continental love of the Westminister government although, in certain areas of debate, the Market Commission has been surprisingly forthcoming in meeting the Anglo-Saxon viewpoint. But its colleagues should not overlook the facts that the touchy subject of soverignty has been carefully avoided, that the British Parliament is, from several points of view, an extremely jealous organisation, that the British are allergic to anything they consider to be foreign interference and that, in any case, Parliament is not bound by the result of the novel referendum although, if a very decided view is expressed either way, it would not be likely to ignore it. In the more probable event of a fairly close run between those favouring continued membership and those determined to leave the European Community parliament would ,almost certainly feel free to decide finally independent of the referendum

The uncharitable are saying that all the long, tough negotiations were so much shadow boxing, a jostling for position and that the eight were determined, without appearing to be too eager, to give way rather than lose British membership. The more realistic assert that almost all the points won by Britain could quite easily have been obtained without so much noise in the day-to-day give-and-take in Brussels. The Market is quite sufficiently flexible to have found other, less contentious, ways of meeting the genuine needs of a member in a serious financial situation. Many consider that the show was allowed to go on, especially at the urging of the socialist German Chancellor, to enable his fellow socialist prime minister, Wilson, to avoid a debilitating split in his Labour Party. With socialist government under constant threat from the position in W. Germany and weak in Denmark European socialism is unwilling to see the only other socialist government in the Market, the British, allowed to founder on the question of Market membership. The Europeans are hindered by the fact that many of the anti-Europeans within the British Labour party know, in fact, almost nothing about the Common Market at all.

two important points

Two points over the Dublin agreement appear to have missed much comment. The benefit over the ceiling on refunds to Market member states experiencing a balance of payments deficit or having paid more than their fair share or with a gross national product at least 15 per cent below the Community average may easily help other weaker members than Britain—Italy and Denmark as well as Ireland are obvious possible beneficiaries.

The second significant point is that, irritating as British insistence may have been to its partners, its gains have not been merely crudely won at the expense of the others. The whole Common Market has developed in the last 12 months into a stronger and healthier organisation realistically aware of the stresses within itself, especially over farm prices, of its vulnerability to unexpected outside development such as the oil prices and, again over oil, of the very different attitudes adopted to a problem by Europe and the USA. The first great momemt of truth for the Marke came last autumn when it became clea that the Market farm policy was outdated.

guaranteed farm prices

It was the Germans, not the British who then demanded a comprehensiv re-examination to find ways of savin money, leaving Britain, with th help of the Farm Commissioner, M Lardinois, to force through in Novembe an agreement which forced through th British concept of guaranteed farm prices an idea unacceptable in the old Market Similarly, the Commission surprised th British over the sugar crisis with its cooperation in arranging for a solid guarantee to import 1.4 million tons sugar a year from the Commonwealth countries. At the same time the British wer made aware that the Commonwealth and other developing countries fully realized that they had more to gain from relationship with a Market of 250 million customers than from traditional link with Britain alone. There has been a good deal of facing up to facts on all sides. Not less was the Market Commission helpful in transforming Europe's whole stance towords the rest of the developing world, accepting a totally new commitment to give as much aid and cooperation to other developing areas, leading to the Generalised Preference Scheme with its right to export industrial products to Europe duty-free.

The British, on their side, must now consider what would be some of the effects to them of throwing their membership of the European Community to the winds or of trying to make do with some temporizing "special relationship." One effect would almost certainly be a serious further devaluation of the £—possibly by as mnch as 20 to 25 per cent that living standards in Britain would quickly suffer and overseas sales opportunities diminish. No one in Europe seriously expects them to run such a risk after so much has been adapted to meet their viewpoint.

After so much self-examination and reforming in what shape do Britain and the Market find themselves? Earlier this month the Market's Economic Affairs Commissioner predicted an improvement within that organisation although unemployment would not be reduced. The Market's joint balance-of-payments deficit would, he predicted, fall from the expected 14 billion dollars to around nine billion; investment programmes in business would be fully maintained and inflation—from about five per cent to 20 per cent in member states, would be slightly lower.

At the moment there does not appear to be very much to justify the Commission's hopes. The OECD in its annual report on the Italian economy says the economic decline there is likely to continue and even worsen, with unemployment exceeding five per cent of the work force. Italy, among others, will need to pursue a restrictive policy for some time. Much more prosperous federal Germany, with a current foreign trade surplus of over 3½ billion marks, finds its domestic economy stagnant and the highest unemployment since 1958 at 5.2 per cent of the work force. The W. Germans are hoping that unemployment has reached its peak with twice as many jobs on offer as three months ago. Lucky Germany, with price increases held at about six per cent for almost a year, is the least inflation-prone of any west European country. Farther north, Holland is spending 550 million florins over schemes to improve the state of its economy as worklessness increases and the Finns, with a record two-month trade deficit, have sought refuge in a 15 per cent surcharge on imports.

But the sorriest story comes from Britain which has the worst inflation rate of any leading industrial country, exceed narrowly only by Ireland and by Italy and Turkey. Domestic consumption, according to the Bank of England, still increases faster than output and, suggesting a fall in confidence, the oil producing states are investing and depositing less money in Britain. While government borrowing stands at a record level of nearly £7 billion, public spending greatly exceeds tax receipts. The Bank, in a distinctly pessimistic quarterly bulletin, queries whether Britain can continue to finance its current account deficit with other nations without problems. A fall in OPEC investment depresses the Bank—possibly too much since industrial borrowing to aid expansion has been encouraged by all the British banks cutting their base rates.

Unless Britain withdraws from the Market, their could be some recovery generally later this year, especially if this summer's conference between oil producers and consumers is successful and if the OECD council signs the agreement for the 25 billion solidarity fund for oil-consumers with payment difficulties.

Readers' roundtable

Distributing Poverty

SIR—Since 1931 the Congress party has been tied to the idea of land reforms in Gandhian erms which itself had certain overtones of the theory of Roussaeu that each person hould have only that land which he can cultivate by his own labour. The approach s romantic but outdated in erms of modern technology nd the concept that land is a vital source of production just as much as machinery and quipment in the most mod-rn factories. The use of land is justified only in erms of its production not n terms of its ownership. For nstance, Britain has a highly organised and probably the most efficient agriculture equal o that of Holland in the whole f Europe while less than 1.5 er cent of the people owned he total agricultural land of he British Isles.

In W. Germany 8.5 per cent of the people, in France 11.5 per cent, in Holland 3.5 per cent, in Britain 3 per cent, in the US 4 per cent of the people are engaged in agriculture and they provide valuable surpluses for export. In fact, America's exports of agricultural products during 1973-74 was greater than the value of other forms of export from the country. This clearly shows that the availability of food and raw material from the land is far more important than how the land is owned unless the very ownership pattern has an adverse effect on production.

Since official policy has been increasingly influenced by idological and political considerations particularly in regard to using systems of subsidies and assistance to farmers as a means to capture votes, land policy has undergone vast changes with serious consequences for the country.

India's economy will thrive or languish depending almost wholly upon whether we are advancing in agriculture or not. The so-called Green Revolution was merely an advance in segmented areas wherever irrigation power and high yielding varieties of seeds were utilised. It is in general management and marketing and product diversification areas, Indian agriculture remained crude and backward with the result that low productivity on millions of subsistence units coupled with wastage led to mass poverty. On the other hand, a whole lot of questionable literature has been built up by academic and political writing on the social and economic consequences of unequal land holdings. We have now reached the stage of a total subsistence economy in agriculture and the situation is being worsened by the recent spate of writing and propaganda against the 'kulaks' and the 'rich farmers'.

The burden of these writings is that the richer farmer has become rich by taking advantage of credits and technology and this has led on to a specious kind of reasoning that he is in fact appropriating the fruits of green revolution and to that extent he is anti-social and the poor farmer is the victim. The fact is that our Brahminic reverence for learning is such that whenever a research student or a professor writes an article in the press or a paper for a seminar, it is accepted as beyond question. If one were to spend about 10 minutes reading these articles, one would notice now tenuously the logic is built up to connect rural poverty of subsistence agriculture with the culpability of the rich farmer for it. In reality the appeal to envy and covetousness is more potent than to any reasoning in logical terms.

I am mentioning these because at some point or another, there must be some sober re-thinking about agricultural policy which I think is the weakest link in economic thinking in the country.

A CORRESPONDENT

MOVING FINGER

I suggested last week that the prime minister, perhaps, was apt to exaggerate a little when she chose to speculate about the threat to her life. Those lines were written on the eve of the incident outside the Allahabad high court on March 18 when a man carrying a loaded revolver was arrested shortly before the prime minister was to arrive to give evidence in the petition filed by Mr Raj Narain challenging the validity of her election to the Lok Sabha from the Rae Bareli constituency in 1971. I believe that the Govind Mishra episode does not make any material difference to the thrust of my comments as I had allowed that there is always some risk of assassination where public personalities, especially colourful or controversial politicians, are concerned. This is so if only because, apart from political motivations coming into play, there is always a certain number of crazy people around in any society.

The essence of my comments was that there was no need for Mrs Gandhi to talk as if there were dark political forces at work in an organized way planning to overthrow her government by perpetrating acts of violence against her person. I gave my reasons for thinking thus and I believe that they are valid in spite of what happened (or, fortunately, did not happen) in Allahabad. As for the Mishra incident, the circumstances remain to be investigated or ascertained. It is therefore unnecessary—and it would be improper—to jump to conclusions about what he was about. A certain degree of concern, however, is justified where security arrangements for the prime minister or other political or public figures are concerned and the Allahabad incident should serve to alert the authorities on the need for effective vigilance.

Oddly enough, two days after the alarums and excursions in Allahabad, Delhi found itself shocked by what on the face of it seemed to be an attempt on the life of the chief justice of India as he came out of the Supreme Court in his car on his way home. On this occasion a pair of hand grenades were used and although the assault, happily, failed in its murderous purpose, there were enough indications to suggest that the assault had been planned with considerable care and determination. It is of course only too easy or tempting to indulge in guesses about possible links between the Allahabad and the Delhi incidents, but there is little solid evidence so far of any inter-connected conspiracies. Once again, therefore, giving reins to speculative discussion could be highly irresponsible.

For quite some time now, *The Motherland* has been literally going to town every other day with thriller-tales about murder plots and conspiracies and other dark doings in places high or low. I should therefore not let go an opportunity of paying *The Motherland* back in its own coin. The attempt on the life of the chief justice, Mr A.N. Ray, was made on the evening of Thursday, March 20. On the morning of that very day *The Motherland* had carried on its leader page the following comments under the caption "Bandobastcracy":

> "Whenever a VIP visits a town, it becomes a nuisance for the people there. Traffic is held up and entire roads cleared and barred. Except where real security is involved, the whole thing is irritating and, indeed, illegal.
>
> "A few years back a resident of Hyderabad questioned the practice of clearing the road for the Nizam. The Andhra High Court then presided over by Shri K. Subba Rao, upheld the objection and the roads ceased to be cleared for the Nizam.
>
> "For years, the police used to stop traffic on Tilak Marg, New Delhi, every time the Chief Justice of India crossed it to enter or leave the Supreme Court. When Shri Subba Rao became Chief Justice, he discontinued the practice. He told the Court Registrar: "There are no maharajas among us; we are all equal." *It is learnt that the feudal practice has now been revived.* (Italics mine).
>
> "This kind of 'bandobast' is meant to impress and overawe the people, something that is entirely alien to the spirit of democracy."

The Motherland should really have no cause for grievance if some of us with a turn of mind towards detective exercises were to wonder and speculate why this newspaper chose to make this particular comment on the morning of the day on which an attempt was to be made on the life of the chief justice as he was leaving the supreme court.

It is reasonable of course that the government or parliament should be exercised over the Allahabad and Delhi incidents. Some of the reactions, however, have not been quite healthy. For instance, not enough chance is being given to the police or other authorities immediately concerned to investigate these matters in a professional manner. Instead, each and every politician around or about seems to be determined to have his say about all kinds of things connected or unconnected with these episodes. Parliament has lost no time in discussing the incidents and the cry has been raised, predictably for a judicial inquiry. At this rate the normal law enforcement authorities in the country may as well pack up their bags and go home. It is indeed saddening that people in responsible positions in public life do not seem to realize that this kind of behaviour is bound to demoralize the police and the administration generally. Proof of this is already available from the fact that a poor traffic constable, who was on duty at the traffic intersection near where the assault on the chief justice took place, has been summarily suspended. The complaint against him is that he failed to give chase promptly to the fleeing assailant.

Normally a traffic constable on duty should be concentrating on the traffic and it is perfectly possible that this policeman in question was taken completely unawares. In any case, at this early stage when there are so many confused versions about what happened or how it all happened, it seems to me to be arbitrary and high-handed on the part of the higher authorities to come down with a heavy hand on a lowly policeman. That this has happened should serve to emphasize the dangers inherent in the tendency of politicians to react excessively to matters involving public personalities. As it is, there is no clear proof that the suspended traffic policeman had been guilty of any dereliction of duty. Perhaps the chief justice, for whom it should be particularly easy to recognize considerations of fairplay, would intervene and ensure the withdrawal of the disciplinary action taken against the unfortunate policeman in anticipation of a verdict of guilty on his alleged lapses.

VB

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17,70,000	Equity Shares of Rs. 10 each at a premium of Rs. 6 per share	1,77,00,000
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SHRI FAZALUR REHMAN	Director and Secretary
SHRI CHATURVEDI NARASIMHA SHASTRY, I.A.S.	Director
SHRI SULTAN ABDUL WAHEED	Director

SECRETARY: Shri Fazalur Rehman

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its Main Offices
Bangalore (Ave
Place), New D
(Mahatma Gan
Bazar), Madras
kapatnam.

MANAGERS

State Bank of
Central Office, M

UNDERWRI

The Issue of 15,
been underwritte

INSTITUTIO

State Bank of H
Mahatma Gand
Bombay-400 001

Grindlays Bank
5-9-235, Mahatm
Hyderabad-500

Bank of India, E
Nariman Point,

Central Bank of
Chander Mukhi,
Bombay-400 021

Union Bank of I
66/80, Bombay S
Bombay-400 023

Lakshmi Vilas B
Pycrofts Garden
Madras-600 034

Investment Corp
of India Ltd., E
Homi Modi Stre
Bombay-400 023

Industrial Credit
Development Sy
Upendra Baug,
Udipi, South Ka

Industrial Invest
61, Bombay Sam
Bombay-400 023

OTHERS:

BOMBAY

Batliwala & Kar
Union Bank Bui

Bhupendra Char
Bhupen Chambe

Chimanlal J. Dal
Stock Exchange,

Chimanlal Manc
45, Tamarind St

D. S. Purbhooda
Stock Exchange,

nd not a prospectus

O COMPANY LIMITED

now subject to the Companies Act, 1956)

rabad-500 020 (A.P.)

ares of Rs.10/- each at a premium of Rs.6/- per share.

Application Forms from the Brokers, Underwriters and Bankers to the Issue mentioned below.
the close of banking hours on Friday, April 18, 1975, or earlier at the discretion of the Board

Applications will be made to these Stock Exchanges for permission to deal in, and for official

Beach Road).
l or Hydera-

or any of its
), Bangalore
hru Road),
ltan Bazar),
(Parliament

l or any of its
ad), Bangalore
), Calcutta
Secunderabad
Line Beach),

023, or any of
axmi Market),
dia Exchange
), Ernakulam
(Siddiamber
la and Visha-

cing Division,
mbay-400 021

UE

the public has

Underwritten	
f s	Value at Issue Price Rs.
00	25,60,000
00	24,00,000
00	16,00,000
00	16,00,000
00	16,00,000
000	6,40,000
000	17,60,000
000	3,20,000
060	2,88,960
,000	80,000
,000	4,80,000
,000	80,000
,000	1,60,000
,500	5,20,000
,560	1,40,88,960

	Amount Underwritten	
	No. of Shares	Value at Issue Price Rs.
B/F	8,80,560	1,40,88,960
Dalal and Broacha, Stock Exchange, Dalal Street	5,000	80,000
Dhirajlal Maganlal Sons, Stock Exchange, Dalal Street	5,000	80,000
Harish Chandra Gutt & Co., 45-47, Apollo Street	10,000	1,60,000
Hiralal Lilladher, Stock Exchange Building, 5A Hamam Street	27,500	4,40,000
Jamnadas Khushaldas & Co., 11-13, Mint Road	10,000.	1,60,000
Jamnadas Morarjee & Co., 5-A, Hamam Street	35,000	5,60,000
Jasvantlal Chhaganlal, Bhupen Chambers, Dalal Street	25,000	4,00,000
Jasvantlal Chhotalal & Co., Bhupen Chambers, Dalal Street	20,000	3,20,000
L. K. Panday, Bank of Maharashtra Building, Bombay Samachar Marg	20,000	3,20,000
Lewis & Jones, Bank of Baroda Building, Apollo Street	15,000	2,40,000
Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street	20,000	3,20,000
Nagindas Chhaganlal, 68, Stock Exchange, Apollo Street	5,000	80,000
Narandas & Sons, Union Bank Building, Dalal Street	2,500	40,000
Narendra M. Dalal, Stock Exchange, Dalal Street	5,000	80,000
P. R. Subramanyam & Sons, 70-A, Stock Exchange, Apollo Street	2,500	40,000
Porecha Bros., 19, Stock Exchange, Apollo Street	10,000	1,60,000
Prabhudas Lilladher, Stock Exchange, 5-A, Hamam Street	30,000	4,80,000
S. M. Shah, 91, Stock Exchange, Apollo Street	2,500	40,000
Suresh F. Gundaria, 6, Dalal Street	5,000	80,000
Valji Bhimji & Co., 24 Stock Exchange, Dalal Street	35,000	5,60,000
CALCUTTA		
Brijnath Khandelwal & Co., 13, India Exchange Place	30,000	4,80,000
C. Mackertich, 7, Lyons Range	7,500	1,20,000
Dayco, 7, Lyons Range	2,500	40,000
G. M. Bose, 7, Lyons Range	2,500	40,000
Murarka Brothers, 7, Lyons Range	10,000	1,60,000
M. M. Murarka & Co., 1/B, Mandeville Gardens	15,000	2,40,000
N. L. Roy & Co., 7, Lyons Range	10,000	1,60,000
Place, Siddons & Gough (Private) Ltd., 6, Lyons Range	32,500	5,20,000
Stewart & Co., 14, India Exchange Place	10,000	1,60,000
DELHI		
Bharat Bhushan & Co., H-45, Connaught Place	30,000	4,80,000
Beharilal & Co., 15, Stock Exchange, Asaf Ali Road	5,000	80,000
H. P. Mehta & Co., 304, Surya Kiran, Kasturba Gandhi Marg	30,000	4,80,000
Harbans Singh Mehta & Co., 33, Regal Building, Parliament Street	15,000	2,40,000
J. C. Mehta & Co. 44, Stock Exchange, Asaf Ali Road	7,500	1,20,000
Jalan & Co., Stock Exchange Building, Asaf Ali Road	30,000	4,80,000
C/F	14,08,060	2,25,28,960

	Amount Underwritten	
	No. of Shares	Value at Issue Price Rs.
B/F	14,08,060	2,25,28,960
Raja Ram bhasin & Co., Jeevan Mansion, 8/4, D. B. Gupta Road	15,000	2,40,000
Surinder Rode & Co., 3, Stock Exchange, Asaf Ali Road	2,500	40,000
Vinod Kumar & Co., A-6, Connaught Place	15,000	2,40,000
MADRAS		
Chitra & Co., 322/323, Linghi Chetty Street	2,500	40,000
Kothari & Sons, Kothari Buildings, Nungambakkam High Road	2,500	40,000
Maconochie & Co., Mercantile Bank Building, First Line Beach	2,500	40,000
MR Arunachalam, 106, Armenian Street	2,500	40,000
Paterson & Co., Vanguard House, Second Line Beach	7,500	1,20,000
V. S. Krishnaswami & Co., 106, Armenian Street	2,500	40,000
AHMEDABAD		
Champaklal Bhailal Chokshi, Manek Chowk, Near Share Bazaar	15,000	2,40,000
Chinubhai Chimanlal Dalal, Fatebhai's Haveli, Ratanpole	5,000	80,000
Laxminarayan N. Gupta & Co., Anandji Kalyanji Building, Relief Road	10,000	1,60,000
BANGALORE		
Jahgirdar & Co., 21, II Main Road, Seshadripuram	2,500	40,000
M. L. Gopala Setty, Bank of India Building, Kempegowda Road	7,500	1,20,000
M. Nanjappaiah Jahgirdar 205, Cavalry Road	17,500	2,80,000
Vijai & Co., No. 9, II Main Road, Malleswaram	10,000	1,60,000
HYDERABAD		
Laxmi Narayan Rathi, 4-5-173, Hashmat Gunj, Sultan Bazar	5,000	80 000
P. B. Afzulpurkar, 4-5-195, Sultan Bazar	10,000	1,60,000
INDORE		
Pushkarlal Ghudawala 44, Bada Sarafa	5,000	80,000
TOTAL	15,48,060	2,47,68,960

The above underwriters under the heading 'Others' have also agreed to act as brokers to the issue.

IMPORTANT

How to Apply

A. Obtain copies of Prospectus and Application Forms from any of the Brokers, Underwriters and Bankers to the issue mentioned herein above.

B. COMPLETE AND SIGN THE APPLICATION. Applications must be for 25 or multiples of 25 shares. Applications together with the application money must be lodged before the close of the Subscription List with any of the branches shown against the banks mentioned above—cheques or drafts should be on banks at the place at which they are tendered.

C. Applications should be in single names only.

D. ISSUE OPENS: April 7, 1975
ISSUE CLOSES: April 18, 1975
or EARLIER BUT NOT BEFORE April 11, 1975.

Issue managed by
STATE BANK OF INDIA
Merchant Banking Division

TRADE WINDS

Central Assistance to States

THE CENTRAL assistance to states annual Plans for 1975-76 has been increased by Rs 115 crores to Rs 755.15 crores over the current year's level. This was stated in the Lok Sabha recently by the Finance minister, Mr C. Subramaniam. The break-up of central assistance is (in crores of rupees) Andhra Pradesh—48-75, Assam 40.04, Bihar 68.68, Gujarat 32.17, Haryana 15.99, Himachal Pradesh 22.35, Jammu and Kashmir 30.21, Karnataka 35.46, Kerala 35.72, Madhya Pradesh 53.32, Maharashtra 49.98, Manipur 7.53, Meghalaya 8.15, Nagaland 7.12, Orissa 32.70, Punjab 20.64, Rajasthan 45,06, Tamil Nadu 41.15 Tripura 7.61, Uttar Pradesh 106.89, and West Bengal 44.94. In addition, assistance to Andhra Pradesh under the Finance Commission's six point formula is put at Rs 18 crores. Besides central assistance totalling Rs 190 crores remains unallocated. This includes hill and tribal areas (Rs 40 crores), rural electrification programmes through REC (Rs 40 crores), North Eastern Council programmes (Rs 10 crores), and special advance for Plan assistance (Rs 100 crores). Bihar had an overdraft of Rs 32.70 crores on March 15, 1975.

US Credit for Air-India

Air-India has obtained a $ 16 million credit from the US Export-Import Bank to help purchase a $ 40 million Boeing 747 jet aircraft, it was announced yesterday. A credit of $ 20 million will be provided by private sources not yet designated, the bank said, that Air-India will make a cash payment of the remaining $ 4 million. The Boeing company is expected to make delivery of the aircraft in December 1975. The loans are to be repaid in 20 semi-annual instalments beginning no latter than June 30, 1976. The Exim bank's credit will carry an interest of eight per cent per year.

Export Price for Tobacco

The union government has revised minimum export prices for different grades of tobacco. In the case of flue cured Virginia tobacco, the revised prices in respect of 1975 crops have been kept at a level 20 per cent higher for top grades, 30 per cent to 40 per cent higher for medium grades and 40 per cent to 50 per cent higher for lower grades as compared with the prices for 1974 crop fixed last year. In the case of sun-cured varieties, the increase made for 1975 crops is 25 per cent over the existing prices for 1974 crop. The revised prices are operative with immediate effect and these will remain in force until further orders. The minimum export prices for unsold stocks carried forward out of 1973 and 1974 crops have also been enhanced at a flat rate of five per cent and 10 per cent respectively, but the change in the prices in respect of 1973 and 1974 crops will take effect from April 1, 1975.

Wheat from USA

The United States will provide this country with 800,000 tonnes of wheat valued at $ 128 million under a new Food for Peace credit agreement, the first in nearly four years. India has not shared in the US long-term credit food aid since the Bangladesh liberation in late 1971. A previous agreement expired on June 30, 1971. It had provided $ 29.6 million worth of vegetable oil. The US under secretary of Agriculture stated that the agreement signed recently, called for delivery of wheat by June 30. "India is a valid customer and friend of the US", he said. The 800,000 tonnes of wheat called for in the agreement is nearly triple the amount first reported due to India when talks of a new agreement with the country emerged about six months ago.

Power Unit for HINDALCO

The government has cleared HINDALCO's proposal for setting up a power plant at Renusagar in UP. The plant will have two units of 110 MW each. The estimated cost for the first unit is Rs 35 crores in foreign exchange. For the second unit costing the same amount, no foreign exchange is involved. This information was given recently by the minister for Energy, Mr K.C. Pant. He added that 10 proposals were received from companies in the private sector for setting up power projects and captive plants during 1973-74 and 1974-75. Of these, five proposals. including that of HINDALCO's, had been cleared. Other proposals approved were from Gwalior Rayon Silk Manufacturing (Weaving) Co. (16 MW) J.K. Synthetics (1 MW) Tata Iron and Steel Co. (20 MW) and Century Rayon (5 MW). The other five proposals from Tata Electric Company, Straw Products, West Coast Paper, Andhra Pradesh Paper Mills and Star Paper Mills were under examination.

Tripartite Oil Meet

India has accepted the French invitation to attend the official-level meeting to prepare for the tripartite conference of oil producers, developed and developing consuming countries proposed by the French President. The preparatory meeting is to be held in Paris from April 7. It was not known how many countries would be participating in the official level meeting but the French President had originally proposed the meeting of four oil-producing countries—Algeria, Saudi Arabia, Venezuela and Iran, three developing oil consuming countries —India, Brazil and Zaire and two developed countries—US and Japan. Besides these, France had also invited a representative each of the nine-nation European Economic Community, OECD and the United Nations.

Export of Woollens

Export of wool and woollen products from this country is estimated to reach Rs 53.96 crore during the current financial year, as compared to the export value of over Rs 50 crore during 1973-74. Of the estimated export value for the year 1974-75, the export of woollen carpets. druggets and namdahs would be worth Rs 24.5 crore while that of woollen hosiery would be Rs 20.4 crore and raw wool Rs 5.3 crore, woollen/worsted and mixed fabrics Rs 1.6 crore, woollen blankets Rs 0.97 crore, woollen blended readymade garments Rs 0.32 crore and woollen shawls and scarves Rs 0.62 crore. During April-November 1974, the actual export value of woollen carpets, druggets and namdahs was of the order of Rs 16.53 crore, woollen hosieryRs 13.6 crore, raw wool Rs 3.53 crore, woollen/worsted and mixed fabrics Rs 1.08 crore, woollen blankets Rs 0.65 crore, woollen shawls and scarves Rs 0.42 crore and woollen blended readymade garments Rs 0.35 crore.

India Iranian Cooperation

Mr Farrokh Najmabadi, minister of Industry and Mines, government of Iran, recently met Mr. T. A. Pai, ister of Industry and Civil plies. in New Delhi. The ministers explored the sibilities of intensifying peration between the two ntries in a wide spectrum industry. A review of dia's industrial development the major areas was fol- ved by a brief discussion the Civil Supplies Orga- sation that had been set in the ministry of Indust- and Civil Supplies.

Mr Najmabadi gave expr- sion to the considerable inte- st his government had in the evelopment of the iron ore oject at Kudremukh and nphasised the need for s early implementation. Mr ajmabadi said that Iran as deeply interested in achie- ng tangible results in the atter of economic cooper- ion between the two count- es by making maximum se of the surplus capacities vailable in Indian industry oth in the public and pri- ate sectors in order to meet e growing requirements of an's industrial development. ruitful areas in this respect ould be in the cement industry, paper project, steel olling mill equipment and wide variety of chemical ndustries where there was equirement of a complete ange of machinery and quipment. Iran would also e interested in the supply f castings and forgings rom India to meet the requirements of various indust- ies including the wagon uilding industry.

Indo-Netherlands Joint Committee

The agreed minutes of the first session of the Indo-Netherlands Joint Committee were signed recently by Dr P. de Weard of the Directorate General for Foreign Economic Relations, Netherlands ministry of Economic Affairs and Miss Rama Mazumdar, Joint Secretary in the ministry of Commerce, on behalf of the respective governments. The discussions, which were held from February 25 to March 4, 1975, covered a wide range of topics from trade and commercial matters to economic cooperation in the fields of agriculture and industry. Both the delegations expressed satisfaction at the increasing trade between India and the Netherlands, from Rs 50 crore in 1971-72 to Rs 125 crore in 1973-74. However, it was felt that there was need of ensuring an expanding and enduring basis for the trade exchanges consistent with the potentials of the two countries.

During the talks, the functioning of the Centre for the Promotion of Imports from Developing Countries of the Netherlands was appreciated. This Centre provided assistance for participation in specialised fairs and exhibitions, establish business contacts and helped in conducting market surveys.

Trade Fairs

Leipzig Industrial

Contracts for the supply of various Indian products worth

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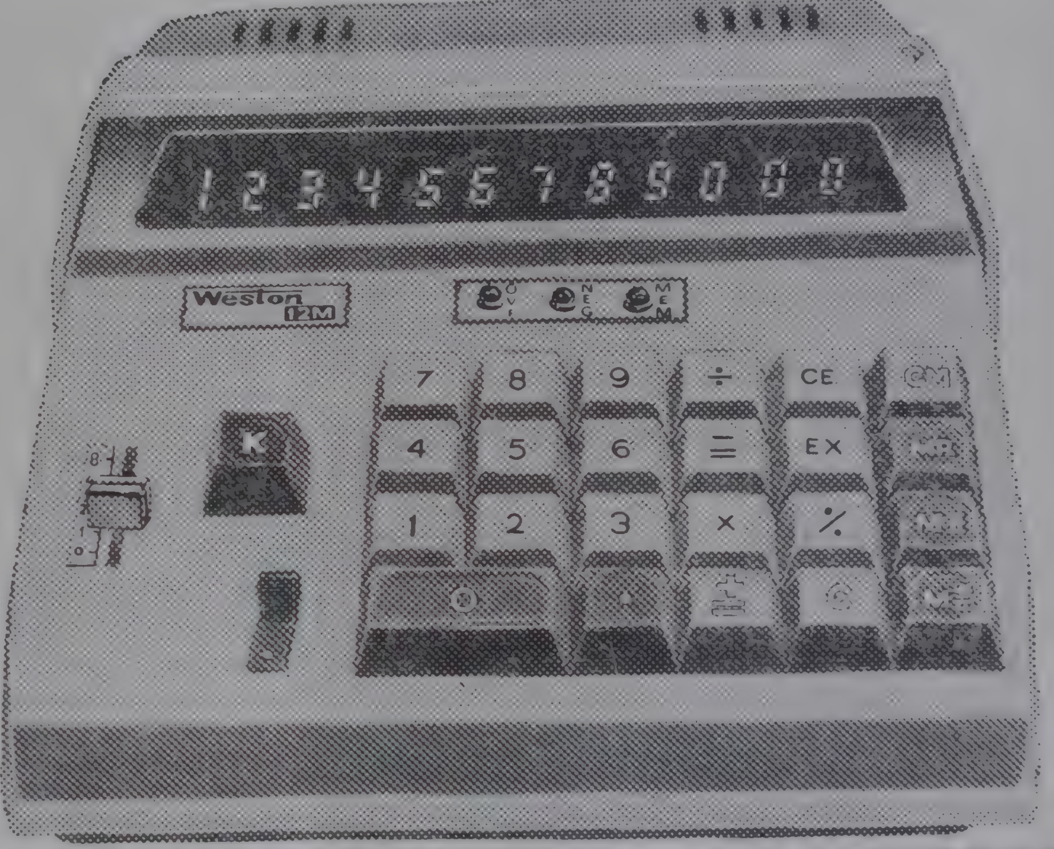

WES-3

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Rs 1.54 crores were signed in the Leipzig Spring Fair, which was held from March 9 to 16, 1975. These contracts include a firm order worth Rs 63 lakhs for shoe-uppers, Rs 32 lakhs for canned fruits and juices and Rs 91 lakhs for crushed bones. In addition, several enquiries for the purchase of other Indian products were made, which are now being pursued. India has been participating in this fair for the last two decades. This year, more than 80 Indian firms participated in the fair out of which nearly 60 firms displayed their products in the India pavilion organised by the Directorate of Exhibitions and Commercial Publicity of the Commerce ministry. Other firms displayed their products in six different commodity halls.

The products displayed in India pavilion include non-traditional items like diesel engines, cables and wires, electric meters, hand tools and cutting tools, bicycles, chemicals, tyres, vacuum flasks and leather goods. Display arranged in the commodity halls covered textiles, knitting machines, sanitary wares, chemicals and pharmaceuticals, jewellary, precious and semi-precious stones, spices, tea and tinned fruits, jute goods, footwear and handicrafts.

Frankfurt Spring

The India pavilion in the Frankfurt International Spring Fair, which was held from February 23 to 27, 1975 was a centre of attraction for the buyers and the visitors. Nine Indian firms displayed their products in the pavilion. Though this participation was on a limited scale, the displayed products received considerable publicity in the local press. Handicrafts, household furnishing, furniture and interior decoration items, wood carvings, jewellery, brassware and bronzeware, ivory items, small musical instruments, and semi-precious stones projected the image of the Indian handicrafts of today. Pure silverware and miniatures proved very popular and the response of the buyers for handicrafts was satisfactory with reasonable on-the-spot booking and very bright export prospects for the future.

Cairo International

The Indian pavilion at the Cairo International Fair which commenced from March 10 also attracted wide interest among buyers of industrial products. According to the Indian Council of Trade Fairs and Exhibitions, a number of trade enquiries were received for supply of diesel engines, petrochemicals, grinding wheels, electrical items such as motors, switches, enamelled wires, cine projectors and sports goods. The fair displayed diesel engines and pump sets, electric motors, compressors and accessories, water coolers, automobile parts, bicycle parts and spares, welding electrodes, public address equipment, transistor radios, tungsten carbide tipped tools, household appliances, models of earth-moving and heavy engineering equipments. etc. Fifty leading manufacturers and exporting organisations from the country are participating in the fair.

Recession in Plastic Industry

Expressing concern at the deep recession in the plastic industry, representatives of the industry have demanded excise rebate as the only solution. Minister of state, Mr V.S. Shukla, who inaugurated a two-day seminar jointly organised by the Plastics Institute and the small industry to modify its product pattern and undertake more research and development effort to develop new products for industrial use and improve quality for export purposes.

In his keynote address, the managing director of the NOCIL, Dr Dadachandji, stated that the industry was facing a serious slump in demand. According to him the demand would not pick up even if the industry cut their prices by 10 to 15 per cent which was the most it would do as the profits in the industry were at present around 10 to 15 per cent of the turnover. He said that the prices of plastic materials since 1973 had gone up by 130 per cent mainly due to increase in the prices of petroleum products. The industry which was expecting a relief in the budget was disappointed. The only way the industry could be revived was by cost reduction. He suggested that there should be price party in the naphtha used by the fertiliser industry and plastics industry. He also felt that it would be illogical to discourage from now on naphtha based plastic industry when the government at the same time, was confident of achieving self-sufficiency by 1980.

Duty on Nylon Yarn

The Association of Nylon Socks Manufacturers have urged the union Finance minister, Mr C. Subramaniam, to have a re-look in the excess levies proposed in the union budget 1975-76 on Synthetic Texturised Yarns. The association in a memorandum submitted to the union Finaace minister stated that about 2,000 power operated socks knitting machines and about 10,000 hand operated machines will become idle in case the additional levy proposed on texturised yarn is not withdrawn forthwith. It has been emphatically pointed out that nylon socks is actually a consumer item and the socks which were costing Rs 3 to Rs 4 per pair about a couple of years back have increased to Rs 7 to Rs 8 per pair.

With the additional imposition of dutiee to the extent of Rs 32.80 per kg. i.e. Rs 20 per kg on texturised yarn and Rs 12.80 on basic filament yarn, a pair of nylon socks would now cost about Rs 10. This sector of the small socks units is hurt by the competition that they are facing against smuggled socks which are available at Rs 5 per pair. It is pointed out that this enormous difference between the local price and the smuggled socks price, the units will have no other alternative
except to close down as w
a very limited working capi
at their disposal, they will n
be in a position to comp
with smuggled market.

ADB

The Asian Developme
Bank announced on March 1
a proposed offering of $75 m
lion of Five-Years Notes, d
April 15, 1980. The Not
may not be redeemed prior
maturity. Application will
made for listing of the Not
on the New York Stock E
change. The offering of th
Notes is expected in ear
April. The First Boston Co
poration and Kuhn, Loeb & (
will be the managing unde
writers of tke proposed issu
The ADB's last public offerir
in the United States was i
April, 1971 when the Bar
issued $25 million of 7-3 4 p
cent Twenty-Five Year Bon
and $25 million of 6-1/2 p
cent Five Year Notes.

The Asian Developme
Bank, an internation
institution the members
which are 41 government
was established in 196
The United States is
member and participated act
vely in the organizotion of th
Bank.The Bank currently h
27 regional members and
non-regional members, inclu
ing the United Sates, Cana
and 12 western Europe
countries. As of Decen
ber 31, 1974, the Bank.s mem
bers had subscribed to $2
billion of its capital stoc
The headquarters of the Ba
are in Manila, Philippine
The Bank's princial activity
the making of developmen
loans to borrowers in its dev
loping member countries. A
of the end of 1974, the Ban
had approved loans totallin
$1.4 billion from its ordina
capital resources. The ne
proceeds from the sale of th
Notes will be included in th
ordinary capital resources
the Bank and used in its ord
nary operations.

Coal Exports

India is likely to concen
trate more on Japan, Taiwa
and west Europe in its bid t
export coal from the next fi
ancial year instead of tryin

tap markets over a wide a. This selective approach eing examined by the Mine- and Metals Trading Corration and the Department Coal for a variety of reans. Even in regard to these ee markets, customers who willing to pay a reasonable ice and commit themselves a long-term purchase proamme will be preferred.

AYE Convention

The President, Mr Fakhddin Ali Ahmed, will ingurate the annual convenon of National Alliance of oung Entrepreneurs (NAYE) n April 7. The convention, hich will be attended by bout 1,000 delegates, is exected to be addressed by Mr .N. Haksar, deputy chairman f the Planning Commission, he Commerce minister, Prof .P. Chattopadhyaya, the inister for Petroleum and hemicals, Mr K.D. Malaviya, nd Dr P.C. Alexander, Development Commissioner, Small cale Industries. The chairnan of Delhi Small Industries evelopment Corporation Mr .P. Srivastava, will receive, AYE's annual award—"Laghu Udyod Ratan"—which omprises a gold medal and silver plaque.

Raw Material Stock with MMTC

Professor D.P. Chattopadhyaya, minister of Commerce made a statement in Lok Sabha resently regarding the situattion arising out of the reported industrial raw materials imported by MMTC lying uncleared in the godowns and docks of the major ports. The Minerals and Metals Trading Corporation have stocks of non-ferrous metals, steel, rough diamonds and industrial raw materials valued at about Rs 130 crores, the minister stated. These stock have accumulated due to slowing down in the off-take by the industry. The factors responsible for this declining trend are credit squeeze and lack of demand for the finished products in the country. Another factor has been shrinkage of speculative demand for these commodities due to fall in international prices. This situation has not developed because of excess purchases by MMTC. It had planned the import programme on the basis of assessment of normal demand of the industry.

The Corporation has, however, taken the following steps to liquidate the accumulated stocks: (i) Spot purchases of non-ferrous metals and steel have been stopped: (ii) Efforts to defer shipments of non-ferrous metals under long term contracts arc being made in consultation with the foreign suppliers; (iii) Prices of non-ferrous metals have been reduced; and (iv) Actual users are being afforded deferred payment facility.

Wealth of India Series

In its Industrial Products Series of the Wealth of India, the Councial of Scienlific and Industrial Rcsearch, New Delhi, has produced the eighth volume which runs into nearly 300 pages. This volume covers the alphabetical sequence Si-Ti and contains articles dealing with 26 industries, from silk industry to titanium compounds. The important industries dealt with are: Silk industry, sodium compounds, soaps and detergents, sports goods, starches and dextrins, steel tubes and pipes, steel structurals and fabrication, sugar industry, sulphur compounds, synthetic fibres, tea industry, television receivers, textile auxiliaries and tinplate. As in the earlier volumes, an attempt has been made to trace the development of industries and to describe their present position. The principal raw materials and their sources and availability are indicated. Description of the manufacturing processes is given and available statistical data regarding capacity, production, exports and imports are also presented.

Risk Capital Foundation

Inaugrating the Risk Capital Foundation in Delhi reeently, the union minister of Industry and Civil Supplies, Mr T.A. Pai, called for radical changes in the approach to resource mobilisation and industrial finance in the country. Mr Pai advocated the policy of mopping up local savings and resources for investment in new industrial units especially those in the medium scale promoted by technologists. The Risk Capital Foundation has been floated by the Industrial Finance Corporation of India to provide interest free loans to new entrepreneurs and technologists wishing to set up medium size industrial units in the country. Finicial institutions, Mr Pai said, had a significant part to play in accelerating the process of industrial relations and he hoped that increasing attention would be given by them individually and collectively to problems faced by new enterpreneurs.

Mr Pai described as bold the initiative of the Industrial Finance Corporation in setting up the Risk Capital Foundation through which, he said, it sought to experiment a highly new concept of banking new enterpreneurs particularly in the medium scale sector.

Rehabilitation of Sick Projects

Afive-day workshop on Rehabilitation of Sick Industrial Projects was organised in Calcutta on March 10, by the Managament Development Institute. This was the first programme of its kind to be conducted for officials of central and state level financial institutions and commercial banks in the country. About 45 senior and middle level officers of different institutions participated in the workshop. It was intended to provide a forum for exchange of experiences, in-depth analysis of diagnostic measures and their limitations as well as a review of processes of rehabilitation of sick projects. It also discussed a few illustrative case studies.

No reliable figure or even estimate is available about the number of sick and closed units in the different states, but it is likely to be considerable. In West Bengal alone, there is a large number of such concerns.

Export of Bicycles

India earned Rs 10.2 crores by exporting bicycles during the first seven months of the current financial year (April-October, 1974) as compared to Rs 7.2 crores in the corrresponding period of 1973-74. Indian bicycles and parts account for a sizeable portion of India's engineering goods exports. The bicycle exports have been maintaining a steady up-trend during the last few years. From the level of Rs 6.9 crores in 1970-71, it shot up to Rs 10.55 crores in 1972-73 and Rs 14.7 crores in 1973-74. During the complete year of 1973-74, India supplied abroad in all 191,000 complete bicycles at a value of Rs 2.7 crore. Additionally, parts and components fetched another Rs 12 crores. During 1972-73 complete bicycles worth Rs 2.58 crore were sold abroad. Indian bicycles find their way to even sophisticated markets such as the USA.

NOTICE

General Notice is hereby given to members of the public under Rule 4A of The Monopolies and Restrictive Trade Practices Rules, 1970, that Vulcan-Laval Limited intends to make an application to the Central Government under Sub-section (1) of Section 21 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval of the Company's proposal for expansion of its existing undertaking at Dapodi, Poona, Maharashtra, for the production of Plant, Machinery and Equipment for Leather Tanning and Finishing according to a phased manufacturing programme. Any person interested in the matter may, if he so desires, intimate to the Central Government in the Department of Company Affairs, Ministry of Law, Justice and Company Affairs, within fourteen days from the date of publication of this notice, his views, if any, with regard to the said proposal of the Company, as also the nature of his interest therein.

For and on behalf of
VULCAN-LAVAL LIMITED

Sd/-
(S. Mathews)
Secretary.

Registered Office:
Mustafa Building,
7A, Sir Pherozeshah Mehta Road,
Bombay 400 001.
20th March, 1975.

COMPANY AFFAIRS

Mild Recovery

Equity prices tended to decline initially but staged a mild recovery towards the close of last week. Institutional support to select shares, expectations of a favourable amendment to the Dividend Act and relaxation in credit policy helped to improve market sentiment. Moreover the Finance minister Mr Subramaniam's statement in Rajya Sabha that "it would be preferable to allow the monopoly houses to expand for the sake of production then let stagnation set in and allow a black market to develop" was interpreted by marketmen that the Finance minister known for his pragmatic approach will initiate further steps to set right the economy which is under great strain. Further Mr Subramaniam's hint that there would be no throttling of the forces of production for the sake of ideology and that production would be the keynote of the government's policy, raised hopes of a further change in industrial policy. The statement by Mr Jagjivan Ram, union minister for Agriculture, that the government is examining relaxation of the present credit squeeze in certain sectors of the economy cheered marketmen. So long as these hopes are not belied the markets may be expected to maintain their poise.

INCAB

Once again the Indian Cable Company Ltd popularly known as Incab, has scored distinctions in the field of export. In December 1974 the company won the much coveted award from the Cable and Conductor Manufacturers' Association of India for excellence in export of cables for the year 1973-74. It had also the unique privilege of being awarded a certificate of Export Recognition by the Engineering Export Promotion Council for outstanding performance in the export of electrical wires and cables during 1973-74. It is significant to note that this is the third occasion during the last six years that Incab has been so honoured by the Engineering Export Promotion Council. What is more that during 1966-68 Incab was the only proud recepient in the entire electrical industry of a certificate of merit for outstanding export performance from the then union ministry of Foreign Trade. Ever since Incab has been concentrating on exploring markets overseas and today its products are finding a ready market in more than 30 countries around the globe. If Incab has been eminently successful in selling its products abroad it has been largely been due to its continuous research activities, rigid quality control measures, timely delivery and aggressive marketing techniques.

Dunlop

The selling prices of automotive tyres and tubes which were decontrolled on April 29, 1974, has given Dunlop India Ltd an opportunity to recover a part of the steep raw material cost escalation which had taken place since November, 1968, the previous occasion on which automotive tyre prices were increased. The total income for 1974 at Rs 147.04 crores was 43 per cent above the previous year. This was mainly due to increased volume of production as well as revised selling prices. The balance from trading amounted to Rs 9.91 crores, an increase of only 25 per cent despite the very much higher sales income. Profit before tax as a percentage to total income declined from 4.9 per cent in 1973 to 4.2 per cent in 1974. After providing for taxation and all other charges, including depreciation and interest, the balance of profit amounted to Rs 3.3 crores as compared to Rs 2.5 crores in the earlier year Consideration of the equity dividend for the year is being temporarily deferred pending the publication of an amendment to the Companies (Temporary Restriction on Dividends) Act, 1974.

Atul Products

Atul Products, a gaint in the dyes chemicals and pharmaceuticals industry, has reported marked improvements in its working results during the year 1974, the turnover, gross profit and margins all being appreciably higher than in 1973. Its net turnover shot up by about 33 per cent from Rs 20.90 crores to Rs 27.71 crores while gross profit jumped to Rs 6.02 crores from Rs 4.12 crores in 1973. The ratio of gross profit to net sales also advanced from 20. per cent to 21.7 per cent. The directors have declared an equity dividend of 12 per cent for 1974 on the enlarged capital, resulting from one-for-five bonus issue.

In 1973 the company declared a dividend of of 15 per cent. The proposed equity dividend will claim Rs 59.04 lakhs as compared to Rs 61.50 lakhs in 1973. The directors have stepped al-

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Eastern Economist 30 Years Ago

MAR. 30, 1945

The British Food Minister recently announced that negotiations for the purchase of the total exportable surplus of tea from India, Ceylon and East Africa for the United Nations, has been practically completed. This tea will be allocated among Allied and neutral nations. We hope that so far as this country is concerned, due account has been or will be taken of the needs of internal consumption while computing the exportable surplus. After all, for the tea plantations in this country, the domestic market will also be the best market in the long run. The tea habit has spread well among us in recent years, but already shortage and high price are having a hampering effect. This cheap drink is no longer so cheap and nothing should be done to push up its price or restrict its supply.

Incidentally, we would urge that the government should urge HMG to take up the exportable surpluses of all agricultural and plantation products, the export of which has been restricted to any extent for strategic or other war-created reasons. The producers in this country are clearly entitled to this much of a fair deal.

ocations to reserve. The propriation to depreciation reserve was enhanced m Rs 97.68 lakhs to . 1.10 crores, to development rebate reserve from Rs 50 lakhs to Rs 16 lakhs and r taxation from Rs 1.77 ores to Rs 2.83 crores. here is no provision for gratity as against Rs 8.58 provided reviously. After adjustments sum of Rs 10 lakhs was ansferred to debenture reemption reserve and Rs 1.91 rores to general reserve No. 2.

Ceat Tyres

The directors of Ceat Tyres f India have recommended aintanence of the dividend t 16 per cent for 1974 in the ope that the dividend Act vill be suitably amended before the date of declaration of dividend. At the annual general meeting, the directors, however, have clarified that if he present Act remains unchanged the company will be ble to declare a dividend of nly 10.8 per cent.

Meanwhile the company has reported appreciable improvement in its working results during 1974 the turnover, gross profit and profitability being substantially higher than in the preceding year. Sales advanced from Rs 32.13 crores to Rs 46.66 crores while gross profit moved up sharply to Rs 3.59 crores from Rs 2.33 crores in 1973. Out of the gross profit, the directors have appropriated a sum of Rs 88.05 lakhs to depreciation reserve as compared to Rs 75.45 lakhs in the earlier year while the allotment to development rebate reserve was reduced from Rs 14.23 lakhs to Rs 10.59 lakhs. Taxation absorbed Rs 1.52 crores as against Rs 68.20 lakhs in the preceding year. The net profit after these allocarions amounted to Rs 1.09 crores as against Rs 75.40 lakhs in 1973.

Camphor and Allied Products

Camphor and Allied Products has made fine progress during 1974. The turnover increased by about 24 per cent to Rs 4.76 crores from Rs 3.84 crores in 1973, while the gross profit was up by 29 per cent from Rs 1.10 crores to Rs 1.42 crores. The ratio of gross profit to sales also edged up from 28.7 per cent to nearly 30 per cent. The directors have recommended an equity dividend of 12 per cent in compliance with the dividend restriction as against 15 per cent declared for 1973. The company has completed the installation of the plant for the manufacture of Polyterpene resins and the new distilationcolumn for the separation of beta pinene. The erection of the plant for the manufacture of PMHP and the sodium acetate are in progress and are likely to be over by June 1975. Its exports have more than doubled during the year to Rs 24.54 lakhs from Rs 8.04 lakhs in 1973.

The directors have enhaneed all allocations to reserves. The appropriation to depreciation reserve was stepped up from Rs 14.46 lakhs to Rs 19.29 lakhs, to development rebate reserve from Rs 4.50 lakhs to Rs 14.20 lakhs, and for taxation from Rs 40.00 lakhs to Rs 68.55 lakhs. The net profit after these allocations amounted to Rs 40.03 lakhs as against Rs 50.70 lakhs in 1973. After adjustments there is a dispossable surplus of Rs 58.77 lakhs, out of which general reserve gets Rs 51.70 lakhs and the debenture redemption reserve Rs 7 lakhs. The proposed equity dividend claiming Rs 10.80 lakhs will be paid out of the general reserve.

Anil Starch

The working of Anil Starch Products has resulted in an increased turnover of Rs 13.38 crores during 1974 from Rs 9.87 crores in the preceding year while gross profit improved from Rs 83.17 lakhs to Rs 94.49 lakhs. The directors have proposed an equity dividend of Rs 10 per share. But the directors propose to reconsider it if the relaxation of dividend restraints is given effect to before the date of the company's annual general meeting. The company paid a dividend of Rs 15 per share in 1973. Out of the gross profit the directors have appropriated Rs 26.92 lakhs to depreciation reserve, Rs 2.84 lakhs to development rebate reserve and Rs 35.70 lakhs for taxation as against Rs 23.66 lakhs, Rs 4.75 lakhs and Rs 27.70 lakhs provided respectively in 1973. After adjustments a sum of Rs 27.97 lakhs has been transfered to general reserve.

NOCIL

The profitability of National Organic Chemical Industries Limited during 1974 has been considerably affected due to sharp escalation in costs, in most of its inputs. Although sales have gone up by nearly 50 per cent to Rs 55.05 crores from Rs 56.84 crores in 1973, gross profit has improved by only 18 per cent to Rs 14.59 crores from Rs 12.37 crores in 1973. The directors have proposed to maintain the equity divided at 12 per cent. A major portion of the dividend for 1974 is expected to be exempt from tax in the hands of the shareholders. Out of the gross profit, the directors have appropriated Rs 4.15 crores to depreciation reserve, Rs 8.25 crores to development rebate reserve and Rs 22 lakhs to general reserve as compared to Rs 3.91 crores, Rs 7.50 crores and Rs 96,15 lakhs provided respectively in 1973. The company does not anticipate any taxation liability in 1974.

Polyolefins Industries

Polyolefins Industries has reported remarkable improvements in its working results during the year ended December 31, 1974. During the year its turnover expanded by 83.2 per cent to Rs 28.86 crores from Rs 15.75 crores in 1973, while gross profit jumped by about 65 per cent from Rs 4.35 crores to Rs 7.17 crores.

The directors have proposed to maintain the equity dividend at 12 per cent on the enlarged capital resulting from the one for three bonus issue. The proposed dividend will absorb Rs 86.40 lakhs as compared to Rs 64.80 lakhs in the previous year, and it is likely to exempt from tax in the hands of the shareholders. After providing Rs 91.43 lakhs to depreciation reserve, 15.30 lakhs to development rebate reserve and Rs 2.65 crores for taxation the

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net profit amounted to Rs 3.46 crores. In 1973 the net profit worked out to Rs 1.14 crores after providing Rs 85.72 lakhs to depreciation reserve and Rs 2.35 crores to development rebate reserve while no provision has been made for taxation.

Deepak Nitrite

Deepak Nitrite has announced a maiden equity dividend of 12 per cent for the year ended October 31, 1974, following handsome improvements in sales and profits. Its sales during the year spurted by about 85 per cent to Rs 1.88 crores from Rs 1.03 crores while its net profit, after allowing for depreciation and development rebate reserve, was significantly higher at Rs 22.50 lakhs as compared to Rs 15.93 lakhs in the preceding year. The company is in an advanced stage of implementing its nitric acid plant, which is expected to go on stream by May-June 1975. It may be recalled that the company's public issue made some time the July 1971, was oversubscribed by more than 20 times. By declaring the maiden dividend of 12 per cent and producing good working results the company has upheld creditably the investors expectations held out at the time of the public issue.

Units Trust

The sales of the units of Unit Trust of India has picked up considerably following tax concessions announced in the recent ordinance. The sale of units had fallen to Rs 19 lakhs by December. It was mainly due to high rates of bank interest whereby middle class investments were tentatively diverted to banks from the Trust. Following the ordinance, the sales had gone up to Rs 52 lakhs in January and Rs 69 lakhs in February. This was disclosed by Mr Pranab Kumar Mukherjee, minister of state for Finance while defending the issue of the ordiance during the debate on the Trust Laws (Amendment) Bill.

News and Notes

The directors of **Associated Bearing Company** have decided to reduce the premium on the proposed rights issue from Rs 100 per share as announced at the company's annual general meeting held in Bombay on March 19, to raise Rs 75 per share. The company proposes to issue 88,235 rights shares to shareholder who are Indian nationals in the ratio of 15 new shares for every 34 existing shares held. The rights issue is subject to the consent of the Controller of Capital Issues.

Shakthi Sugars has announced a rights issue of equity shares in the one-for-one ratio.

Ballarpur Paper and Straw Board Mills proposes to issue bonus shares in the ratio of one share for every share held. This is, however, subject to the consent of the Controller of Capital Issues.

Shree Digvijaya Woollen Mills Ltd, the manufacturers of the famous "Digjam" suiting, has been awarded a certificate of merit by Wool and Woollens Export Promotion Council for outstanding export performance in woollen fabrics during 1973-74. The Certificate of Merit was presented by Mr D. P. Chattopadhyaya union minister of Commerce to Mr B. N. Balasaria, President of Shree Digvijaya Woollen Mills at a special function held recently at Vigyan Bhawan, New Delhi. During 1973-74 the company's exports leaped by 35 per cent, as against 12 per cent in 1972-73, thereby recording a phenomenal increase of about 300 per cent over the preceding year.

From a humble beginning **corrugated industry** has developed in shape and size during the last two decades and is now catering to the entire needs of the country. About 800 units are in operation and the industry is of great national importance in view of the savings in the forest resources. But the industry has been beset with one problem or the other. In 1974 it faced tremendous problem in raw material avilability. Though the problem has passed away but then in the meantime the hike in prices has been so abnormal that it has posed yet another problem for the utilisation of its installed capacity. From Rs 2.42 per kg in September, 1973, the price went up to Rs 5.60 per kg in March, 1975, an increase of nearly 100 per cent. The element of excise has also had its hike. It has gone up by 180 per cent between February 1974 and March 1975.

The government imposed yet another excise duty on the corrugated board in the meantime starting with 7 ps per kg to 27 ps per kg presently. Over and above the last dose has been given recently in the central excise budget by imposing a duty of one per cent ad valorem on finished corrugated boxes. All this added together have taken the price of corrugate packaging to a level where it is finding extremely difficult to find its market in competition to the other types of packaging material. It is requested that the government should take a pragmatic view of the situation and save this industry as well as encourage its development by removing a portion of the existing excise duty on corrugated board. The ad valorem duty on corrugated boxes should also be immediately removed. A substantial reduction in duty on kraft paper is also desired.

New Issues

Mohan Ortmann and Herbest is setting up a plant for manufacture of automatic bottling plants including bottle washers, fibres and intermixers for beverages bottling units, at Okhla Industrial Estate, New Delhi. The company has obtained an industrial licence to manufacture 25 units per annum aud will manufacture two types of automatic bottling plants, one with a capacity of 320 bottles per minute and the other with a capacity of 500 bottles per minute. The company has

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in a convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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The Manager,
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tered into a technical colboration agreement with rtmann & Herbest of West ermany. The plant is exected to commense commeral production by April, 1976. he capital cost of the proect is estimated at Rs 3 crores. will be financed by the share apital of Rs 1.20 crores rupee erm loans of Rs 128.36 akhs, foreign exchange loans of Rs 39.64 lakhs and unecured loans from promoters and directors of Rs 12 lakhs. The company proposes to enter the capital market soon with a public issue of 7,20,000 of equity shares of Rs 10 each at par. The proceeds of the issue will be utilised for the implementation of the project.

Prakash Tubes Limited will abe approaching the capital market sometime in July with a public issue of Rs 75 lakhs, comprising Rs 60 lakhs in equity and Rs 15 lakhs in preference shares. The company's Rs 1.3-crore plant near Bahadurgarh in Haryana has already commenced trial production. It will manufacture 15 mm to 150 mm steel tubes.

Capital Bonus Issues

Consent has been granted to 17 companies to raise capital of over Rs 16 crores. The details are as follows:

The Tata Chemicals Ltd., Bombay, have been accorded consent, valid for three months, to capitalise Rs 3,11,30,140 out of its General Reserve and Share Premium Account Reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

The K.C.P. Ltd., Madras, have been accorded consent, valid for three months, to capitalise Rs 2,54,09,330 out of its General Reserve and Capital Redemption Reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Zenith Steel Pipes Ltd., Bombay, have been accorded consent, valid for three months, to capitalise Rs 112 lakhs out of its General Reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of four bonus shares for every five equity shares held.

The Camlin Pvt. Ltd., Bombay, have been accorded consent, valid for three months to capitalise Rs 10,00,000 out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

Shri Rama Krishna Flour and Besan Mills Pvt. Ltd., have been accorded consent, valid for three months, to capitalise Rs 1,54,000 out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every three equity shares held.

The Balrampur Sugar Co. Ltd·, Calcutta, have been accorded consent valid for there months, to capitalise Rs, 7,00,000 out of its General Reserve Share Premium Account Reserve and issue fully paid equity shares of Rs 2.50 each as bonus shares in the ratio of one bonus share for every two equity shares held.

The Arvind Mills Ltd., Ahmedabad, Gujarat have been granted consent, valid for a period of three months, for issue of bonus shares worth Rs 50 lakhs only.

The Indian Card Clothing Co. Ltd., have been accorded consent valid for three months, to capitalise Rs 65 lakhs out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

The Prem Electrical Conductors (Madras) Pvt. Ltd., Madras, have been accorded consent, valid for three months, to capitalise Rs 1,31,250 out of its undivided profits for increasing the paid-up value of the existing partly paid up 525 equity shares of Rs 1,000 each from Rs 250 to Rs 500 per share.

The Vapi Paper Mills Ltd., has communicated to government its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 50 lakhs (inclusive of the capital already raised) in 5,00,000 equity shares of Rs 10 each to be issued privately for cash at par.

The Precision Bearings India Ltd., Bombay has been accorded consent, valid for 12 months only, for issue of further capital of Rs 70 lakhs in equity shares of Rs 100 each on rights basis at a premium of Rs 50 per share.

Aruna Mills, Ahmedabad, has been granted consent, valid for three months, to issue bonus shares worth Rs 25 lakhs.

Boehringer-knoll, Bombay, has been granted consent to issue bonus shares worth Rs 20 lakhs, valid for three months, and further issue of equity shares capital worth Rs 33,34,000 (including disinvestment of existing equijy shares worth Rs 13.34 lakhs), vaild for six months, to be issued to the public through a prospectus.

Borax Morarji, Bombay, has been granted consent, valid for three months, to issue bonus shares worth Rs 13,33,300.

Harbans Lal Malhotra and Sons, Calcutta, has been granted consent valid for three months, to issue bonus shares worth Rs 36 lakhs.

Jagatjit Cotton Textiles Mills. New Delhi, has been accorded consent valid for 12 monts for issue of further capital of Rs 75 lakhs—Rs 25 lakhs in 11 per cent cumulative redeemable preference shares of Rs 100 each and Rs 50 lakhs in registered debentures of Rs 1,000 each for cost at par to the existing equity shareholders as rights.

Seefko India Bearing, Bombay, has been accorded consent, valid for three months, to capitalise Rs 1,00,300 out of its general reserve and issue fully-paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus shares for every one equity share held.

Dividends

(Per cent)

Name of the Company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Vaikundam Rubber	December 31, 1974	25.0	17.5
Same Dividend			
Hoechst Dyes and Chemicals	December 31, 1974	12.0	12.0
Molins of India	December 31, 1974	10.0	10.0
Reduced Dividend			
Amar Dye.Chem	December 31, 1974	12.0*	16.0
United Carbon	December 31, 1974	4.0	12.0
Atlas Copco	December 31, 1974	12.0	17.5
Orissa Cement	December 31, 1974	10.0	20.0
India Carbon	June 30, 1974	12.0	18.0
Mahindra & Mahindra	October 31, 1974	9.0	14.0

* On the enlarged capital.

Agricultural commission's interim report

Price policy

The National Commission on Agriculture has submitted an interin report to the union government on Agricultural Price Policy. The Commission has emphasised the need for assuring remunerative prices to the farmers to encourage investment in modern farm technology keeping in view at the same time the impact these prices would have on the economy as a whole. Three chapters out of this report on (i) approach to price policy, (ii) minimum support prices, and (iii) procurement and distribution system, are reproduced here.

VARIOUS COMMITTEES have in the past examined the question of agricultural price policy. The five year Plan documents have also considered this issue in the context of the price policy to be followed during the Plan periods. These reviews stress, among other things, two important aspects of price policy, viz., price stablisation is indispensable in the context of planning and price policy should seek to maintain a certain balance between relative prices in various sectors. To attain these objectives, measures of direct control and/or fiscal and other devices to the extent required have been emphasised. Keeping in view the interests of both the producer and the consumer, it has been stressed that a policy of price stabilisation must keep in view certain maxima as well as certain minima. These considerations have so far provided important basis for economic management in the country.

favourable climate

A favourable price climate, which ensures remunerative prices to the growers, is a necessary condition for the required investment in agriculture and adoption of modern technology without which agriculture cannot develop. At the same time, the agriculture price policy has to be concieved also in the context of the general price situation in the country.

Agricultural prices are very volatile. When the balance between demand and supply is precarious, even a small rise or fall in production causes wide fluctuations in prices. If a decline in production takes place at a time of sharp monetary inflation/expansion, the price rise may become very steep, accentuated by hoarding and speculation.

Occasionally, a succession of two good crops may lead to a sharp decline in prices, making production uneconomic and discouraging investment and innovation. Both these situations require intervention. While the farmers endorse the price support measures, they do not look with favour at any attempt to control prices or to acquire a portion of their marketable surpluses at below the market prices, when prices are high because of a seasonal shortfall or chronic shortage in production. It is, therefore, necessary to fully explain the rationale of the price policy.

impact of farm prices

The general price level in India is influenced, to a very great extent, by the behaviour of prices of agricultural produce, particularly of foodgrains. This is natural in a country where agriculture contributes about 43 per cent of the national income. The weightage given to agricultural commodities in the Index Numbers of Wholesale prices is also large (332 out of 1000). It is also known that for most of the families, expenditure on food articles constitutes over 60 per cent of the family budget. Therefore, an uptrend in the prices of foodgrains exerts inflationary pressures on the prices of various goods and services through wage and cost push factors and results in the rise of the general price level affecting the economy as a whole.

This is what has happened in the country. For the last few years, the prices of foodgrains have been rising continuously following shortfalls in production in consecutive years. It is generally admitted that foodgrains and agricultureal raw materials like cotton, oilseeds, etc., have been the price leader and led the way to a general rise in prices. The deleterious effect of the rise in prices on the economy is all too evident. In evolving the agricultural price policy, therefore, note has to be taken of the prevailing ecocomic situation and the probable course of production and prices in the near future. The price policy should not come in the way but should aid in the fulfilment of the overall economic policy of the country. Stabilisation of prices is also essential to ensure growth with stability. This is particularly relevant in the present inflationary situation when the governments efforts are designed to contain inflation.

With the growing population, the demand for food is increasing rapidly. Likewise, the demand for agricultural raw materials for processing, manufacturing as well as exports is also going up. Planning for agricultural development has to see to it that favourable conditions are created for securing an orderly increase in supply to match the growing demand. But the reliance on higher prices as a major incentive to augment production misses the point that the aggregate (sector) supply response to price is quite weak. In a situation where the country is experiencing shortage in respect of most of the commodities, the reliance on price as the principal mechanism for stepping up production may ultimately amount to i creasing the prices of most the commodities and the inputs. Such a policy w just add to inflation, witho yielding higher production.

There is widespread bel that high prices bring for high production and high income. It has been argu that the relative stagnati in foodgrains production b fore the introduction of ne technology was partly due artificially low prices ma tained through the concessi nal imports of PL 480 grair The success of the new tec nology is also attributed the relatively high prices the latter half of the 'sixti

A case is thus made out f higher prices to boost ag cultural production. Oth have disagreed with this vi and have pointed out that t wheat revolution had tak place in a period when the were concessional imports wheat. If the matter we so simple, all that the plan ing authorities have to do to ordain an all round rise prices. While favoura prices do stimulates entrep neurial efforts to augme production, several oth factors also have a determ ing influence on productio In regard to agriculture, should be recognised that t low agricultural producti reflects the fact of genera low productivity in the co try. It is the presence of su factors as assured and co rolled supply of water, hi yielding varieties of se equitable tenurial conditio etc., which have a greater impact on output.

The remedy to low productions thus obviously lies in greater and purposeful investment, better skill formation, adoption of improved practices and improved organisation so that productivtty increases all round and farmers, along with the rest of the community, come to enjoy a better standard of living. If this basic fact is ignored and farm prices are raised indiscriminately, it would merely raise costs for everybody, release the forces of inflation and erode the possibility of capital formation in all sectors. However, this is not to rule out the case of selective shifts in terms of trade to stimulate, or discourage, output in particular commodity, but this has to be done with moderation, as otherwise the basic inter-relationships of the system will get disturbed affecting the economy adversely.

Key to production

In the coming years, while efforts should continue to be made to supply larger quantities of inputs like fertilisers and quality seeds, it is really the change in technology, i.e. the change in the quality of inputs, such as new seeds, and the change in input combinations, that holds the key to higher production. Increase in profitability resulting from an enhancement of product price is less potent and less reliable as an instrument for influencing farm decisions to enhace acreage and production. An increase in profitability unrelated to cost reduction does not lead to any major shift in acreage to the crop concerned, nor to a substantial increase in output. This is because, in the absence of improved technology, production is susceptible to wide fluctuations.

In recent years, for instance, several non-food crops such as cotton, groundnut, other oilseeds and also food crops like pulses have experienced steep increases in prices but the improvements in profitability that might have arisen from such price enhancements have not led to any major acreage shifts into these crops. This is because while the price level of these commodities is rising, price variations have also got enhanced—Price variations are, in fact, a measure of uncertainty in profitability and large variations cut into profitability. In other words, between two crops showing the same degree of profitability, if one had a lower and the other higher price variations, the former would, in fact, make a greater impact on the producers choice than the latter. This is the reason why many commodities with high variability in prices have not found favour with the producers despite apparently high profitability. On the other hand, commodities which have recently experienced technological change, such as improved seed, have gained in terms of acreage or production from other commodities which have not experienced such improvement. For instance, it has been noticed that wheat, rice, maize and bajra, all of which have undergone different degrees of seed improvement, have gained in acreage from other crops like cotton and pulses.

Important point

The important point seems to be that emerging technological improvement reduces the cost of production either in absolute terms or, more often as a percentage of the value of output of the crop in question. Moreover technological change is a cushion against too much variability in a crop's production. Some of the hybrids are generally tolerant to the vagaries of weather; so do fertilisers and pesticides and irrigation act as cushion against several crop hazards. Thus the change in technology and the use of new inputs in new combinations are not only cost-reducing and profit-enhancing but are also generally accompanied by smaller variability and larger and more durable profit. Application of improved technology thus gives larger and surer profit (both private and social).

The improvement in income of the producers of agricultural commodities through technological means as envisaged above and higher productivity is more desirable than through higher prices. Larger income which producers may get as a result of higher prices is in effect a transfer payment from the consumers to the producers of these commodities. But technological improvement benefits the producers as also the society since more output is obtained from the same productive resources. Further, higher prices would benefit farmers who have marketable surplus, and would thus accentuate income inequality. The smaller producers, who are often not purchasers of grains, would be worse off in the process. But the new technology being neutral to scale has the potential benefit both large and small producers.

Improved technology

The future of Indian agricultural policy certainly lies in an attempt to introduce improved technology in commodity after commodity, with a view to reducing variability as well as cost and enhancing profitability. Efforts in Research and Development (R &D) in the direction particularly evolution of new seeds of commercial crops like cotton, groundnut, other oilseeds, fodder etc. and of food crops like pulses hold out considerable promise for greater profitability and providing the necessary incentives for higher production. When suitable seeds and a profitable input combination have already been found for a crop, it will be proper to propagate them through extension and other publicity media in areas and among groups which have not so far adopted them. Investment in such extension work is as important as investment in R & D.

If, as a result of greater investment, technological innovation and better organisation, the over all su
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Scope for manipulation

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is rather limited. In the ne
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or near-self sufficiency
most of the commodities
likely to continue in spite
various development effort

he agricultural price policy ill, therefore, have to take ote of this situation, which often accentuated by spe- lative hoarding,

The major aim of agricul- ral price policy should be to rrect distortions, which are cially or economically harm- l and which emerge from me to time from the imper- ctions of market mechanism. ch price regulation becomes cessary to safeguard the terests of producers as well consumers. In the situa- on of a bumper harvest and e consequent sudden and arp fall in prices, the vernment has to intervene rough price support opera- ns. On the other hand, en in a general situation inflation, a shortfall in pro- ction results in a steep rise prices, particularly in sential commodities like odgrains, the government s to protect the consumers.

verty line

This is all the more impor- nt in a country like India in hich a large proportion of e population lives below the verty line. In such a situa- n, a system of public dis- ibution has to be operated supply reasonable quanti- s of foodgrains at reason- le prices, particularly to the lnerable sections of the pulation. Such a system of blic distribution necessarily plies procurement from mestic production of suffi- nt quantities at reasonable ices. Since the ruling mar- t prices at such times would beyond the tolerance limit the majority of consumers, e procurement of a certain oportion of marketable sur- us will have to be at below prevailing market prices.

Jnder this system, the st of the marketable sur- us would be permitted be sold in the open arket, and it is a fair sumption that the weighted erage price received by the oducer from the sale of the vy and the non-levy portions marketable surplus may not less than the price he ould have received in the sence of the levy. It must be emphasised that supporting the price above the likely level of market price in times of abundant crops and procuring a portion of marketable surplus at below the market price in times of scarcity are parts of the same composite price policy. Since the farmers benefit from the enforcement of minimum support price, they should also agree to the procurement system intended to make available foodgrains to the vulnerable sections of the population at reasonable prices. Similarly, if the consumers wish to obtain foodgrains at prices below the market levels, they have to agree to the system of minimum support prices.

Projections of demand and supply of agricultural commodities show that in most of the commodities shortages will continue for many years to come. Public distribution of essential commodities will,

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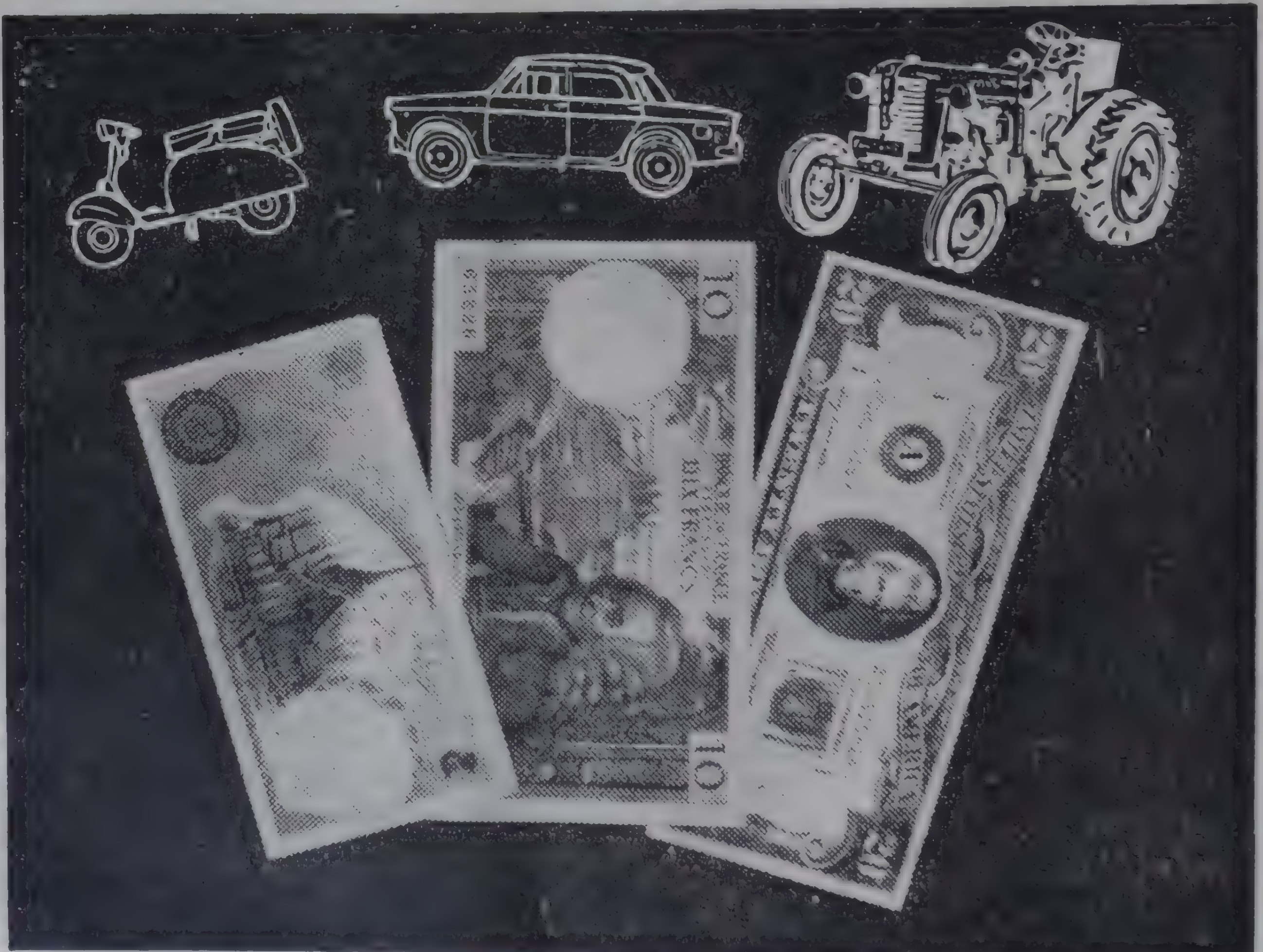

herefore, have to be a long-erm or semi-permanent feaure of economic management n the couutry. The procurement and distribution policy will have to be devised in this context. In fact, while shortages last, it is important to widen the magnitude and scope of the public distribution system.

sharing responsibility

Both the centre and the states have to share the responsibility for an equitable distribution of the available supplies of food on a national basis. A rational food management requires in the first place, a realistic assesment of the requirement and availability. A public distribution system can function efficiently, when, based on such assessment, appropriate arrangements are made to obtain adequate supplies and route them through the system to needy areas and population. We, therefore, recommend that the Department of Food in the ministry of Agriculture and Irrigation should prepare, in consultation with the Agricultural Prices Commission and the tates, a National Food Budget every year after taking a realistic view of the requirements of the public distribution system, production, stocks and imports, if need be. The Budget should preferably be prepared in November when reliable estimates of kharif crop would be available. It should then be reworked in March when crop estimates for rabi become known. The targets for internal procurement of cereals should be laid down on the basis of the Budget.

Once adequate quantities are obtained at prices, if need be, at below the market price to subserve the requirement of the public distribution system, the rest of the available supplies may be allowed to be sold at free-market prices in the usual marketing channel. The dual pricing and dual availability system in vogue in this country in respect of sugar and important cereals is, therefore, well conceived in its essentials and we recommend that it should be continued until an overall balance between supply and demand is achieved on a durable basis in these commodities.

The inter-commodity parity approach for determining the relative prices of different commodities, though rational on the face of it, has many pitfalls. Different commodities suffer setback in production in different years. When this happens, market prices rise, sometimes steeply. The administered prices, of the shortage commodity may also be increased in such a situation. This is however no reason why the prices of commodities whose production has not suffered a setback should be correspondingly raised on grounds of parity. It should also be noted that no one argues that prices should be adjusted downwards in parity with prices of a commodity, weich, because of abundant production, have falled. The one-way upward adjustment invocation of the parity principle will generate successive rounds of price increase.

transient reasons

If the rise in prices of a commodity is due to a temporary or a transient reason such as sudden failure of harvests or a in boom international prices, the situation should be allowed to correct itself through market mechanism except when the commodity involved is an essential item of mass consumption or otherwise vital to economic stability. Such transient declines in production and the consequent rise in prices do not lead to any lasting shifts in acreage. For such shifts in acreage to occur, the rise in prices has often to be substantial and more than the profitability of the substitutable crop.

If, however, the fall in prices is due to secular reasons, such as a cost-reducing technological innovation leading to higher production, there is hardly any justification for upward adjustment in line with the erst while parity, because the lower price will not have affected the profitability of the crop. And it is but proper to permit the community at large to benefit from the application of cost-reducing technology. In any case, if the price drops suddenly and too drasticaily the device of support prices will be available to protect the producer and sustain production.

rigid adherence

Apart from these considerations against the rigid adherence to the parity principle, it would be very difficult to arrive at an agreed dicision regarding the base year with reference to which parities should be maintained. All commodities may not achieve a reasonable balance between supply and demand in the same year which could be regarded as a base year. It may be different for different commodities· making a decision on the base year extremely difficult. Further, each commodity grower will insist on adopting a year most favourable to him which, by definition. will be unfavourable to the growers of other commodities.

There is sufficient empirical evidence to show that the selection of the crop and its production are dependent more on traditional factors such as suitability of the land for the crop and rainfall and climatic conditions at the time of sowing rather than on price. In general, weather conditions play a greater role in the farmers' production decisions than relative prices. But it is also true that in some commodities. the correlation between the relative prices and acreage is positive, as in jute and paddy. Considering all these aspects, the Commission is of the opinion that in view of the limitations of commodity price parity approach under Indian conditions, it cannot be made the basis for fixing agricultural prices. However, in respect of a few commodities (e.g. jute and paddy), which are more sensitive to changes in relative prices, parity can be a relevant consideration, but not the basis, for fixing their prices. Appropriate parity relationships and their effect on acreage should be kept in view before fixing the prices of these commodities.

It has been sometimes argued that international prices should be taken into account while determining the domestic prices. Once again, this argument is invoked when the international prices are higher than domestic prices; not when they are lower. For several years during the 1960s, international wheat prices were lower than domestic prices. No one argued that domestic wheat prices should be lowered, nor did the government countenance any such action. Instead, it passed on the benefit of lower priced imports to the consumer through a pooled price for public distribution.

higher import prices

Normally, a commodity, the international prices of which are higher than domestic prices, will not be imported. But if such imports become inevitable for the sustenance of the national economy—as in the case of oil and foodgrains to raise the domestic prices to international levels would tantamount to accentuating the imported inflation. The right policy once again would be to resort to pooling of prices for the consumers.

There is no doubt that an integrated price policy involving inter-sectoral prices is highly desirable in the interest of balanced and planned growth of the economy. But however desirable. it may not be possible to bring about such an integrated price structure unless the economy—both production and prices—is totally controlled. In an agricultural economy, susceptible to vagaries of rainfell, fluctuations in production are too frequent and sometimes too severe to permit a stable link (parity) between prices of agricultural and non-agricultural commodities. Besides, such a link may not be necessarily to the advantage of the agricultural producer. It is evident that during 1964-65 to 1973-74, the index numbers of wholesale prices of agricultural commodities as a group have been higher than the corresponding index numbers for non-agricultural commodities.

legitimate parity

The only legitimate parity relationship is between input and output prices. Apart from temporary aberrations, the output prices cannot for long remain out of alignment wtih the package of input prices, If a reliable weighting diagram is available, such adjustment would be possible.

It is often suggested that the prices received by the farmers should have some relation with the prices paid for the consumer goods commonly used by them. The demand by the farmers for such linking arises because of the rising prices of these articles. It is also argued that as the organised labour is compensated for increases in the cost of living, so the farmers' interests should be safeguarded by regarding such parity considerations as one of the basis for price fixation. Considering cash expenses alone, increases in the prices of cloth, kerosene, sugar, and oils, etc. affect the farmer's budget.

While we fully recognise the difficulties which the farmers face when the prices of articles of common use continue to rise, it should also be appreciated that any automatic linkage between prices received by the farmer for his produce and prices paid by him for the consumer goods will only feed the vicious circle of cost-price inflation and will not only not contain the problem but make it worse for everybody including the farmers. We have already mentioned that any rise in food prices sets in motion a chain reaction affecting the economy as a whole. Since food articles occupy a major portion of an average family's budget, a rise in food prices affects the non-farmer families, particularly the rural and urban poor, more than the farmer families who are producers of grain and vegetables, and are, therefore, protected to a greater extent against erosion of their standard of living. Moreover, beyond the organised labour sector, there is a large sector a self-employed and unorganised labour, who do not get any protection against rising prices. The best way to tackle the problem is to stablise the prices of non-agricultural consumption goods, increase their production and ensure their equitable distribution. At the same time, we suggest that an Index Number of Parity between the prices received and prices paid by the farmers both for domestic and farm expenses be constructed so that a watch can be kept on the behaviour of the parity and remedial measures taken whenever the parity gets unduly against the farmers.

measure of incentive

Subsidies on inputs are often suggested as a measure of incentive to higher production as they tend to reduce cost and increase the profitability of farming. The experience in the country, however, is that subsidies do not work to the advantage of the farmers. In many cases they do not reach the right people. Also, generalised subsidies do not lead to efficient use of resources and once they are given, resistance develops against their withdrawal. Earlier we have suggested that the prices of agricultural commodities should take into account changes in the entire package of inputs when their prices go up. We feel that subsidy on inputs should, by and large, be avoided.

Input subsidies, however, can play a promotional role in specific situation. When a new crop or a practice is to be introduced and popularised, it may be necessary to give the grower some additional incentive for him to take new risks. For such promotional effort, input subsidies may be considered. Even in these cases, however, it will be preferable to provide a time-bound subsidy so that it can be withdrawn after it has served its purpose.

To these general observations, we would like to make two exceptions. One is for the small and marginal farmers and the other for difficult areas in the country. The small and marginal farmers may find it difficult to procure enough inputs if their prices are high. Moreover, as foodgrains produced by them are largely for home consumption, lower input prices may help them considerably and enable them to use the inputs to a greater extent. Subsidy on inputs in their case may have to be viewed on egalitarian considerations irrespective of product prices. This will be particularly relevant when there is a sudden spurt in input prices.

In order to encourage the use of inputs in adequate quantities in hilly and other difficult areas, it may be necessary to subsidise transport cost to bring down the price of delivered inputs, which would have otherwise been higher and would have discouraged their use, thus affecting production.

Support prices

THE OBJECTIVE of minimum support prices is to provide an element of stability in agricultural pursuits. Sudden and precipitous fall in the prices of agricultural commodities is an uncertainty often associated with the farming activity. The support is in the nature of insurance over a relatively long period. By its intervention in the market and its guarantee to purchase all quantities offered for sale at a price above the free market price which would have otherwise prevailed, the government gives an assurance to the farmer of a fair return on his investment and of covering his risk in the venture. He is thereby saved from losses which he would have otherwise incurred had the market been allowed to function freely. This policy of intervention removes the disincentive effect of uncertainty and creates a stable price climate for investment and production. It is obvious that the agricultural price policy must in all circumstances embrace within its care a policy of offering minimum support prices for the principal crops.

In order that the minimum support price provides the necessary inducement to the farmer to stay in business and encourages him to take to improved technology through necessary investment, the price has to be fair enough; and to be fair, it should cover the cost and yet leave the farmer with a reasonable margin of profit. However, the support price for any crop need not provide much beyond a reasonable rate of return over cost. In this matter one could be guided by the general rate of profit-taking in the economy as a whole and guarantee a return to the farmer which is only marginally higher than the general rate of profitability in the economy. It should, however, be noted that farmers cannot be made rich simply by raising agricultural prices because the input prices would catch up soon. At the same time he should not be made to suffer a loss having produced the commodities on account of market uncertainties. We have earlier emphasised that the income of the farmer can be raised steadily only through increased productivity.

The alternative principles relevant to the question of deciding the support price are cost of production, movement of intercrop market

ice ratios and the criterion
realised prices. While the
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count cash and kind costs
curred in the process of pro-
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as to provide a guide for
djustments in relative prices.

The criterion of rea-
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commodity parity is not work-
ble due to the limitations we
ave referred to in earlier
paragraphs. The criterion of
ealised prices is also not
considered suitable because,
n a period of scarcity, prices
would tend to be high. Such
prices would, therefore, be
an unsuitable guide to the
prices for subsequent years,
when production may be
relatively good. Moreover, in
an inflationary situation, the
application of this method
would result in continuously
rising support prices.

types defined

The following four types of cost of cultivation/production have been defined in the Farm Management investigations and other cost studies:

Cost A1 : All actual expenses in cash and kind incurred in production by owner operator.

Cost A2 : Cost A1+rent paid for leased-in land.

Cost B : Cost A2+rental value of owned land and interest on owned fixed capital excluding land.

Cost C : Cost B+imputed value of family labour.

Of these, for purposes of price policy, Cost C is more relevant. This is because it is comprehensive and covers all the items of expenditure incurred in cash or kind and takes into account the imputed value of owned resources employed for production, whereas the other three types cover the cost only partially. However, there are differences of views in respect of the method of valuation of family labour, the desirability of including the remuneration towards managerial expenses of the farmer even when such expenditure has not been incurred as also of making an allowance for risk and uncertainty as a specific item of cost.

method of valuation

The family labour is presently valued in the studies under the comprehensive Scheme for Cost of Cultivation on the basis of the wage rate for attached farm servants. However, three other views have been expressed before the Commission regarding the method of valuation of family labour.

The farmers' representatives have argued in favour of valuation on the basis of the prevailing wage rates for casual labour, which are higher. What is generally overlooked in this approach is the fact that the casual labour gets higher wages only during peak seasons and is out of employment for many days in a year, when he does not earn any income. If the wage rate of casual labour has to be the basis, then the average daily wage with reference to his annual income, and not the daily wage he actually receives, would be relevant. Viewed thus, the value of family labour, when evaluated on the above basis, may not be significantly higher than when it is based on the wage rate for attached labour.

Another suggestion made to the Commission is to take into consideration comparable wages for rural industrial workers. Here also difficulties come in the way. The wage rate will be necessarily high in industries which are fairly organised and where wages are protected through trade unionism. Insofar as the unorganised rural industries are concerned, many areas do not have comparable rural industrial workers. Even where there are some rural industrial activities, the wage rate for unskilled labour may not be significantly different from the rate at which the attached labour is paid. This will be particularly relevant in areas which are surplus in labour. As it is, most rural areas are surplus in labour and exceptions may be found only in pockets of intensive agriculture.

The third view is that the family labour should be evaluated on the basis of the statutory minimum wage rate. But the minimum wage rates in most areas are out of date and lower than the going wage rates for attached labour. In Haryana, in 1971-72 the wage rate for attached labour was Rs 6 compared with the statutory minimum wage rate of Rs 5 fixed in 1969. Similarly, in Punjab the wage rate for attached labour in 1971-72 was Rs 4.50 when the statutory minimum wage rate was Rs 3 fixed in 1968.

basis of wages

Considering all these aspects, the valuation of family labour on the basis of the wage rate for attached labour, in our view, appears to be in order.

Insofar as the managerial cost is concerned, the bulk of the landowners will be managing not very large holdings, particularly after the enforcement of the legal provisions relating to land reforms. When the cultivator himself is the manager, there is no separate management cost. His income after deducting all relevant costs including imputed cost of his labour, would, in fact, be a return to his managerial functions. No special allowance, therefore, need be made in the cost on this account, when it is not actually incurred by keeping hired managers.

Both the cost of cultivation, which is calculated on per hectare basis, and the cost of production, which is calculated on per quintal basis, are influenced by seasonal factors; the cost of production varies more widely depending upon the actual production. The difficulty could, however, be got over to some extent if an average of three years' cost is taken into account.

farmers' demand

The demand of the farmers that the prices should cover their cost of production implies that the price received by them should be higher than the cost incurred by them in that very year. Prima facie, it is not possible to take into consideration the current year's cost because the data on costs in absolute terms for the current year will not be available at the time of sowing. While using the current year's cost is not operationally feasible, the preceding three years' average cost may provide a workable alternative. However, even this method is not free from defects in a situation when dynamic changes take place in the adoption of new technology or when input prices are changing fast.

Apart from the questions relating to the components of cost, there are other problems in the use of cost data. One important difficulty is whose cost should be considered. There is no unanimity of views on this crucial question. Given a set of actual cost of production figures for a representative and randomly selected sample of cultivators, alternative approaches suggested are to take the average cost of production of all the cultivators or the average cost of production of the efficient farmers or the average cost of production of the producers with marketable surplus or the bulk line cost representing a stated percentage of production, area or number of cultivators.

Average cost can have relevance for price determination only if the scatter of cost is fairly small. Estimates of costs of production have usually shown wide variation among different cultivators Where the scatter is wide, the average does not solve the problem of a representative cost Moreover, it is possible that a number of farmers may have costs which are higher than the average cost. For example, an analysis of the data collected for wheat in Punjab under the comprehensive Scheme for Cost of Cultivation studies shows that the average cost does not cover a considerable proportion of the farms and area under the crop. An average cost of Rs 61.04 per quintal in 1970-71 leaves out more than 52 per cent of farms and almost 50 per cent of area and nearly 38 per cent of output of wheat in Punjab. Similarly, in 1971-72 an average cost of Rs 59.71 per quintal does not cover about 54 per cent of farms, 49 per cent of area and 40 per cent of output in the same region. This makes the average cost of production an unreliable guide.

efficiency rewarded

The method of average cost of production of efficient farmers tries to reward efficiency and discourage inefficiency but the problem arises with regard to the question of defining efficient farmers. Big farmers need not necessarily be the efficient farmers. Efficiency is a relative concept. Various measures of efficiency have been employed in the Farm Management studies. An efficient farmer can be defined as one who produces a unit of output at low cost. Efficiency can also be measured through maximum yield per unit of input. But just as farmers with low unit cost but also low per hectare yield of output cannot be considered as efficient, so also farmers getting high yield per hectare but incurring high cost of production cannot be regarded as efficient. Further, the question of efficiency of a perticular activity on the farm is related to all the activities on the farm as a whole.

If the efficiency is to be measured with reference to only one of the above criteria, a different set of farmers would emerge with each efficiency measure. Moreover, technological efficiency (in the sense of inputoutput) has to be distinguished from economic efficiency. Given the techniques of production and the structure of farm business, majority of the Indian farmers may be meeting the economic efficiency crtierion but the same may not be true with reference to technological efficiency. In view of the difficulties stated above of using the cost of production of efficient farmers, this alternative has not gained much acceptability.

average cost

The alternative of average cost of production of the producers with marketable surplus, as suggested by some, is also not free from difficulties. The farms of these producers are generally above a certain acreage and, therefore, large number of smaller producers would be left out if this method is considered.

Some have suggested that in a shortage situation, the mini mum price has to be above and the maximum cost to induce even some of the relatively inefficient farmers to increase output. For this, it is the marginal cost of production which may need to be covered rather than the average cost, Bulk line cost is, therefore, suggested which would cover the actual cost of farmers producing a major part, say 85 per cent of the total output. When the farms are arranged in an ascending order with reference to per unit cost of production the bulk line cost is the marginal cost of producing the 85th unit of output assuming that a total of 100 units of the commodity is being produced. Thus, very few producers whose cost of production exceeds the bulk line cost will be adversely affected. Serious misgivings have, however, been expressed about the suitability of the bulk line cost. It is argued that there is no basis for the assumption that the bulk line cost will result either in maintaining or in enhancing production.

The choice of a cost figurcovering 85 per cent of production is largely arbitrary, as it is not clear why 85 per cent has been endorsed merely because it is considered more appropriate than 50 per cent and partly under the presumption that the producers maintain the same relative positions on the cost curve every year. But the assumption that individual producer incurs the same cost year after year is not valid. Moreover, the bulk line cost approach based on past cost structure would lose much of its tmportance as it assumes that the technique of production remains constant. A particular difficulty in the bulkline cost concept is that different estimates of cost would emerge depending on whether the coverage is related to output, area or number of holdings. For these reasons, this approach has not been favoured by many.

The need for working out an average arises out of the heterogeneity and the large extent of variation in unit costs from farmer. Several factors influence the variatation. These are:

(i) inherent variability in resource endowment and fertility of the area which influence productivity;

(ii) variability in the application of inputs and the prices of these inputs;

(iii) variability in the efficiency of the factors of production individually or in combination; and

(iv) variation, even if to a smaller extent, implicit in the process of imputation of values to owned factors, e.g., own land, family labour etc.

These factors result in wide variation in costs between different states, regions, districts, taluks and even villages, between different sizes of holdings; between different varieties of the crop, the high yielding and local, improved and ordinary; between irrigated and unirrigated holdings; between progressive farmers and the traditional ones; and so on;

That the costs vary widely from area to area will be evident from the table below:

The data further show that variation in cost is also dependent upon the type of seed used. Wide variation in cost is also seen in the same state between irrigated and unirrigated crops and even in the case of irrigated variety depending upon the source of irrigation. The data on cost of production of wheat in Haryana for the year 1971-72,

Cost of Production of Wheat, : 1971-72

State	Variety	Cost of cultivation* (Rs per hectare)	Cost of production (Rs per quintal)
Haryana	High yielding	1,048.43	49.23
	Local	952.81	54.04
	Total	1,039.31	49.53
Punjab	High yielding	1,586.34	59.51
	Local	1,309.28	71.27
	Total	1,578.26	59.71
Uttar Pradesh	High yielding@	1,110.83	48.72
	Local	759.10	53.33
	Total	1,688.90	50.38

*Net of value of by-product. @Including improved varieties.
Source: Comprehensive Scheme for the Studies of Cost of Cultivations.

presented in the following able, illustrate the point.

Cost of Production of Wheat n Haryana for 1971-72, according to Source of Irrigation

Source of irrigation	Cost of production (Rs per quintal)
Tubewells*	54.21
Tubewells* and canal	48.55
Canal	42.75
Other sources	55.25
Unirrigated	55.80

*Including wells with power driven pumpsets.

In Punjab where 85 per cent of wheat is irrigated, if the costs of irrigated wheat are taken into consideration for price fixation, only producers of the remaining (15 per cent) rainfed wheat will not be able to cover their cost. If the costs of rainfed wheat are considered, the producers of irrigated wheat will get a windfall since the unit cost of irrigated wheat is less. But, in Madhya Pradesh, where 85 per cent of wheat is rainfed, taking into account the costs of irrigated wheat will leave out of the bulk of the uninirrigated wheat. If, on the other hand, the average of both irrigated and unirrigated wheat is taken, it would lead to different results in Punjab and Madhya Pradesh.

Capitalisations push up cost

There are also other shortcomings of the cost data. Very few inputs used in the farming business are standardised and extreme variations in their quality are noticed. But these are treated as homogenous in quality. In many cases, overcapitalisations in tractors and other farm machinery tends to push up cost. Allocation of joint costs between various products and by-products also bristles with difficulty. The farmers takes some land on rent and grows several crops in different seasons of the year.

While division of the rent in proportion to the computed value of the crop is one of the accepted methods of allocation, difficulty of a practical nature might arise when one of the crops fails totally and the other with high unit value is bumper. Again, one comes across a high figure of cost of cultivaion with meticulous details of the various components thereof, which are supposed to be average costs of a progressive farm. The highest doses of fertilisers, the optimum irrigation and tillage practices are adopted and the costs of cultivation are added up on per hectare basis. But when it comes to a question of yield per hectare, the average yield is used which has no relation to the level of inputs assumed in the calculation of the cost per hectare. The cost of production per quintal in such cases becomes very high. One has to be cautious about such estimates of cost.

Normative costs

Another suggestion that is sometimes made is that normative costs of production should be worked out assuming reasonable levels of application of inputs and output. The main drawback of this method is that it is very difficult to work out norms of inputs and cultivation practices for different areas; and even if these are computed on the basis of technical considerations, the field conditions would vary. The actual levels adopted by the farmer and the efficiency of management may differ considerably from the norms due to both controllable and uncontrollable factors. These difficulties render the method unsuitable for price fixation.

From its inception the Agricultural Prices Commission has been handicapped for want of scientific data on cost of cultivation/production. In spite of various studies conducted so far, there is no unanimity about the cost data to be used. We have referred, in previous paragraphs, to the different methods of calculation of cost and their limitations and have drawn attention to the extreme variation in and serious limitations of cost estimates to underscore the point that cost data as available cannot become a firm basis for fixation of price.

As mentioned earlier the farmers should be assured a fair price, which should cover his cost and leave him a reasonable margin of profit. In the view of the Commission, one method of taking into account the year to year changes in the cost of production is to consider variations through a system of index numbers. For this, it would be necessary to get a general agreement regarding a year or a period of two or three years in which the prices and costs were, by and large, in balance, in which there had been an incentive to switch over from the traditional to the high yielding variety of crops and in which farmers put their farm surpluses into investments in agriculture by way of tubewells, tractors, etc. In relation to the cost in that base year or period (which may be different for different crops), very year the index numbers could be worked out, the updated data providing a better guide to taking a view on price adjustments.

Index number for principal crops

Since much of the difficulty arising from the absolute cost data may be obviated if index numbers are used, we recommend that effort should be made to develop and use an index number system for the principal crops. In order to adopt this system, it would be necessary to work out an appropriate scheme for the construction of index numbers of costs of production for different crops paying special attention to the problems. relating to the determination of the base period, weighting diagrams, etc. It is also necessary to revise the wieghts periodically, particularly when there is reason to believe that due to the introduction of new technology, a change in the structure of costs has taken place.

Till the suggested system of index numbers can be developed, the best course for the Agricultural Prices Commission will be to make an informed judgement about fair minimum support price, keeping in view the limitations of the available cost data. The Agricultural Prices Commission should take into account the information on costs collected by it and the Directorate of Economics and Statistics in the ministry of Agriculture and Irrigation through the cost of production studies as well as other cost data thrown up by various agencies.

Consult advisory panels

In taking a view on the price, the Agricultural Prices Commission should also consult its advisory Panels, the formation/strengthening of which we have suggested later. If this procedure is followed, we feel that it would serve the present needs of the situation and enable the fixation of a reasonable minimum support price, which would over the cost plus a reasonable margin of profit. When indexation is developed, it would be possible to put the price fixation on a more rational basis.

It has been suggested to the Commission that in view of the spatial variation in the costs of production, it would be advisable to fix regional support prices instead of an all-India support price, which is now the present practice. A uniform support price is justified on the ground that it has the advantage of bringing about an efficient deployment of resources by encouraging greater investment and production in relatively low cost area due to a higher margin of profit and by discouraging production in the high cost area. But, as we have mentioned earlier, the cropping pattern or the choice of a crop is influenced more by the local agro-climatic conditions than by price. Moreover, even when the cost of production of a crop in a region is higher than that in another region, it may still be a more profitable crop in the regional context, though not so in the national context, and its cultivation will continue. For these, reasons, the fixation of different support prices for different regions will be justified. The only constraint in this approach, however, is that large differences in price will encourage speculative activity unless the cordoning is complete and effective.

Since the administrative burden imposed as a result will be too much and it will be difficult to enforce a total cordoning, a system of differential support prices, which tries to compensate for the entire difference in the costs, will not be practicable. Considering all these aspects we feel that the present practice of fixing a uniform support price should continue. However, in specially high cost areas, a small differential price may be allowed, but the differences should be limited to the cost of transport from the nearest producing area where the uniform price is applicable.

In some years, minimum support prices in respect of some crops were either not announced at all or announced close to or even after the sowing season. If the support price has to carry any assurance to the farmer and encourage and enable him to make investment decisions, it should be announced well ahead of the sowing season.

Procurement and distribution

IN CONSIDERING various issues pertaining to procurement of cereals, it should be remembered that it is an integral part of the public distribution system. Public distribution of essential commodities of mass consumption, particularly foodgrains, as a public policy becomes incumbent when there is a chronic shortage along with severe monetary expansion leading to very high prices. If, under these conditions, the government is to operate a system of public distribution, it has three options: (a) import the entire or part of the supplies needed for distribution; (b) buy foodgrains in the open market and subsidise—rather heavily the issue price for public distribution, and (c) procure from the surplus farmers—if need be, both from foodgrains and non-foodgrain growers—a portion of the marketable surplus at below the market price. Since the feasibiliry of the first and second choice is severely limited by financial constraint, in the present circumstances, the third choice is relevant.

In this section, we discuss in the main the following aspects of public procurement and distribution policy:

(a) Procurement prices;
(b) area coverage of public distribution;
(c) quantum of procurement; and
(d) system of procurement.

There is a demand that in the shortage situation in the country, when the market prices are rulling high, the procurement prices should be high enough and close to the market prices. This has arisen out of the controversy over the adequacy of the procurement prices announced by the government, which were below the prevailing open market prices. It has also been argued that when there is a shortfall in production due to whether aberrations, the grower should be given a high prices so that what he loses on the quantum is made good by price, thereby maintaining his cash income and there is inducement for greater production leading to more marketable surplus. The procurement price of a particular commodity should thus have some relationshipwith that year's production. This approach has also been justified on the ground that the public authorities has to get hold of a reasonable quantity of the marketable surpluses for its distribution system.

While in a year of good production the problem will be less acute, in a bad year difficulties would arise if market prices are unduly high. Coercive and even punitive measures may help in a state like Punjab, where the farmers have a large surplus which must be brought to the market. Even then there is a possibility of holding back the stocks. In a deficit state, the difficulty will be much more due to the small amounts of surplus available with the farmers scattered over a wide area. It has further been pointed out that one of the basic reasons accounting for the failure of the takeover of the wholesale trade in wheat was the offer by the government of prices which were not realistic enough in relation to the high prices ruling in the market.

procurement below market price

In earlier section we have discussed some issues partaining to procurement prices. Here we may reiterate that if heavy subsidies are to be avoided, the procurement has to be at below the prevailing big market prices. We have also mentioned that if only a portion of the marketable surpluses is so procured, the weighted average price of levy and non-levy sales may not be lower than the price which the producer may have received in the absence of levy. Further, if the producers want price support—above the likely market prices—in times of severe decline in prices logically they should not oppose procurement at below the market prices, in times of severe rise in prices. Finally, the issue price has to be within the tolerance limit of the consumer with low incomes. Thus. in a shortage situation the procurement prices, although higer than the minimum support prices, cannot, therefore, be much above the issue prices minus the cost of distribution plus, at best, a small element of subsidy.

It should be appreciated that there is close relationship between the procurement levy price and the open market price. The very fact of imposition of levy pushes up the open market price as a result of the government mopping up a portion of the stocks from the market. In the absence of such levy, the open markt price would be lower. If the procurement price is increased, open market price will correspondingly go up and in this situation, a farmer would always look to the open market for disposing of his stocks. As a result, a higher price may not lead to higher procurement. Empirically also, despite higher procurement price, the quantum of procurement has not shown any significant increase.

Moreover, the farmer's overall cash receipts depend on the weighted average price of his levy and free market sales.The return which the farmer gets should not be judged on the levy price alone but on the basis of a weighted average of both the levy and the open market prices. Earlier we have suggested a dual pricing and dual availability system which leaves the farmer with stocks to be sold in the open market. If sufficient quantities are left with him to be disposed of in this manner there is no reason why his income should be adversely affected since in a shortage situation, open market price may rule very high.

need for public distribution

Procurement is intended for ensuring adequate public distribution to take care primarily of the vulnerable sections of the society. The need for public distribution arises because these sections are not in a position to pay the high market price that might prevail at any given moment, Public procurement, therefore, has to be at lower than market prices, as otherwise the government will have to bear very heavy subsidies to make he foodgrains available at easonable prices. A continuous burden of such proportions will be beyond the capacity of the government to bear and would result in budgetary deficits. It can also be argued that as in times of bumper crop, support prices have been higher than market prices, so in times of scarcity, procurement prices may have to be lower than the market prices.

capacity of poor people

No doubt procurement prices in normal times are to be higher than the minimum support prices. But as long as minimum support prices ensure that the costs of production have been adequately covered and procurement prices are above the minimum prices, the only residual consideration in determining the precise level of procurement prices ought to be the capacity to pay of the poor people whom the public distribution should principally cater for. Seen in this context, the fixation of procurement prices cannot be divorced from the purpose of procurement.

Considering that a substantial portion of the Indian population today subsits below the line of poverty, it should be a national obligation to take care of those who are at the subsistence leven or below, particularly in difficult years. This should be the most important aspect of public policy. The only way of protecting the vulnerable sections from the impact of rising prices and inflation is to provide them foodgrains through public distribution, or, if this cannot be managed, to keep the foodgrains prices sufficiently low. All these years, the urban population, by and large, has been the main beneficiary of the public distribution system. But in view of the fact that in addition to the vulnerable sections of the population in the urban areas, there are rural areas which are more vulnerable, we feel that time has come to tilt the system more in favour of the rural people in these areas than hitherto,

Both the coverage and the quantum are important considerations in divising public distribution system. The system has to be maintained in such a manner that those whose purchasing capacity is limited or is adversely affected by natural calamities get the maximum benefit out of it. In order to stabilise prices, to contain the rising cost of living to provide relief to the vulnerable sections of the population both in urban and rural areas and to alleviate the suffering of the masses from natural calamities like drought and floods, the public distribution system should normally cover the following:

(i) all cities and towns with population over one lakh excluding those in surplus areas in surplus states;

(ii) all industrial towns covered under the scheme of All India Consumer Price Index Numbers for Industrial Workers;

(iii) drought prone areas; and

(iv) flood affected areas.

A modified rationing sysem is working in urban and rural areas of Jammu & Kashmir and Kerala. This may also have to be continued for some time to come.

speculative hoarding

If the public distribution system takes care of the requirement of the population in the towns and cities, particularly the vulnerable sections, the self-employed and the labour class, who account for the major portion of the total urban population, the pressure on supplies in the open market will considerably case, thereby making speculative hoarding for sales in the towns less attractive. More grain would therefore, become available in the rural areas themselves.

Large areas in the country are affected by recurrent droughts. These are the most vulnerable rural areas. Relief works are undertaken in these areas on ad hoc basis, grain distribution forming a part of the relief programme. Considering the worsening situation in these areas, it will be appropriate to extend the public distribution system to these areas on a regular basis. Not allneed be covered, only the vulnerable sections comprising the landless rural workers and artisans and the small and marginal farmers can be brought under the distribution system. Since the higher farmers will have the supplies from their own production such selectivity in the distribution system will be justified.

damage to crops and assets

Floods affect considerable areas in the country every year damaging crops and assets. The population in these areas are temporarily incapacitated and require assistance from the public distribution system. On the basis of the experiences in recent years, we feel that provision for about 30 million people who are affected by serious floods, will largely meet requirement. However, the relief is necessary for short periods say three months, since the floods, while adversely affecting the crops in one season (say, kharif), lay the foundation for a good crop in the subsequent season (say, rabi). The important point to be made, however, is that since different areas get flooded in different years, suitable measures will have to be taken to cover these areas at short notice through the public distribution system as and when the occasion demands.

If the areas and the population suggested by us are covered, we feel that the purpose of the public distribution system will have been largely served. In our judgement, the requirement of cereals for such a public distribution system may be about 12 million tonnes in a year depending on the quantum supplied per consumption unit on the basis of the estimated population in 1975. In these estimates the supply for each consumption unit has been assumed at 12 oz. (about 340 gms) per day for the urban population. In the rural areas too, the actual supply has to be at this level in respect of the rural workers in the drought prone areas who have no land base and who do not receive wages in kind. In so far as the small cultivators are concerned, they will have some grain production from their land. Their demand will be relatively less. Considering this, an average of 8 oz (about 227 gms) per day per consumption unit has been assumed for purposes of the estimates for these areas.

No doubt the consumption will be supplemented by tuber crops like tapioca. In flood affected areas, a supply of 12 oz. per day per consumption unit has been assumed for three month. Short of widespread failure of crops, the estimates appear to be reasonable. These quantities from between 11 and 12 per cent of the targeted production of cereals in 1974-75. We. therefore, feel that the guiding principle should be to aim at a procurement of 12 per cent of cereal production on an average by the public authority for the next few years. In years of good rainfall and better production, it should be feasible to procure more. Also, in these good years, the demand on the public distribution system will relatively be less, leaving thereby some balance for building up bufferstocks for lean years.

manageable target

To start with. the composition of the foodgrains to be procured could be 5 million tonnes each of rice and wheat and two million tonnes of of coarse grains. It is seen that even with lower production, it had been possible to collect 4.5 million tonnes of wheat in 1973-74. In that year the procurement of rice was nearly 4 million tonnes. In the view of the Commission, the targets suggested should be manageable both from the point of view of present availability and the existing administrative capability. As a result of the various development measures, it is reasonable to expect that production would continue to increase, yielding larger quantities of procured grain.

Agricultural labourers form a sizable section of the rural community. There is a tendency now to do away with the age old practice of paying wages for various operations in kind to those labourers in the rural areas. They are generally the poorest section of the rural population and their wages do not go up in proportion to the increase in the cost of living. As such. their levels of living is badly affected in a situation of rising prices and inflation if their wages are paid in cash without adjustment for the rise in the cost of living. The Commission strongly feels that the practice of paying wages in kind for various agricultural operations should be maintained. This would make more grain available to this section of the population and thereby lessen their hardship. It would also reduce the pressure on the public distribution system. Otherwise. if a very large section of the rural population is to be covered, it would be a tremendous job to ensure proper distribution of foodgrains and may be beyond the capacity of the present administration.

farmers aggrieved

The urban areas are also areas with high purchasing power. Consequently, farmers from whom the grain is procured at below the market price for distribution in the urban areas, feel aggrieved because they see a high price in the open market prevailing side by side with the relatively low ration prices. If, on the other hand, provision is made to feed the vulnerable sections in the rural areas in a large measure, the farmers will not complain that the food is being taken out of the country side to feed mainly the high price urban areas. Such a policy would strengthen the moral case of the government in offering lowerthan the market price to the farmers, which must be related to the price at which foodgrains ought to be distributed to the rural poor.

There are different methods of procurement. These include purchases from the open market, pre-emtive purchases in the market, monopoly purchase, levy on traders and compulsory levy on producers, millers and hullers. Direct purchases from the open market for the public distribution system can be ruled out because of the high prices that will prevail in a shortage situation.

the Punjab example

The Punjab system of pre-emptive purchase, under which the government pays the prices determined in the market, but has the preemptive right of first delivery, is considered more appropriate to the purchase of wheat than to the purchase of rice because of differences in the system of marketing. It, however, suffers from the limitation that the procurement price at which the government can buy is fixed and purchase may be difficult when prices are very high in a period when there is a shortfall in the overall production. Moreover, the system, not being based on progressively higher proportion of levy on bigger farmers, does not distinguish between big farmers and small farmers and is, therefore, to some extent, inequitable.

Neither the system of procurement through monopoly purchases (or nationalisation of wholesale trade) nor through trader has succeeded. Nationalisation of the wholesale trade, in the sense that it brings the farmers into direct contact with the government has the advantage of eliminating middlemen and ensuring better price to the farmers and a reasonable price to the consumers. Through this process, a greater measure of stability in prices could also be introduced. However, the takeover of wholesale trade implies that there will not be any open market. By definition, this will mean procurement of the entire marketable surplus, as distinct from marketed surplus, by the government agencies. Obviously the present administrative machinery is not adequate to procure and handle quantities of such magnitude. The takeover of wholesale trade should be considered only when the administrative machinery is capable of procuring and handling the large quantities involved. The nationalisation as adopted for wheat in 1973-74 rabi marketing season, did not cover retail trade, which continued to be in private hands, and there was no effective way of preventing hoardby the retailers. There were other weaknesses also. The producers were permitted to sell directly to the consumers in small lots. Further, to takeover was confined to wheat leaving out other cereals. On the other hand, the extension of wholesale trade takeover to all the cereals would have carried with it the responsibility for feeding the entire population by the government.

rationing difficulties

Difficulties are being experienced even with the present system of rationing, such as poor quality of grains distributed and existence of ghost ration cards. Moreover, a crucial problem encountered in this system is that whatever price the government pays for its monopoly purchases, the farmers will inevitably feel that injustice is being done to them and will seriously try to dodge procurement. When government becomes the sole buyer, farmers tend to regard any administered price as low, since they have nothing to compare it with. Since by definition, there is no other outlet for sales at higher than the procurement prices government as a monopoly purchaser will have to put the prices higher. This will defeat the very purpose of procurement for the public distribution system unless the government is prepared to bear large subsidies to bring down the price at which foodgrains will be issued to the public. Thus although the objectives of the nationalisation of the wholesale trade are unexceptionable we do not consider that this is practicable in the present situation, keeping in view the administrative and other difficulties pointed out above.

levy on traders

The experiench in the 1974-75 rabi marketing season with regard to the reliance placed on the traders for the delivery of grain to the government for public distribution, indicates that the system of levy on traders cannot also be relied upon as a major instrument for the procurement of cereals. In that season, the government modified its procurement policy, raised the procurement price and, at the same time, imposed a levy of 50 per cent on mandi purchases by the wholesale traders. It is known that the traders in order to avoid the levy effected deals outside the mandis (regulated markets). There were no means by which the farmers could be compelled to bring the produce to the market and the levy could be collected from the traders.

In view of the known difficulties involved in other forms of procurement, we are inclined to recommend that the major operational instrument for the procurement of cereals should be the well-tried system of compulsory graded levy on producers and millers as well as on hullers. The entire requirement of grain for the public distribution system can be collected throngh this instrument, if it is adequately supported with the legal sanctions and administraiive arrangements. Given the political backing and determination, there is every reason to hope that this system would succeed. The rates of levy will have to be different in different states dependiug upon the quantum of cereals to be procured as determined on the basis of the National Food Budget. Moreover, the levy should be a graded one so as to be equitable between different size classes of farmers with such emptions/relief for the nallest farmers, as may be emed necessary. Due allownce should also be made for fferences in output levels per nit area between irrigated nd unirrigated areas. The ommission wishes to lay down e basic principles only; the entral and state governents should work out the etails of the system, keeping view the responsibilities of ach state under the National ood Budget.

fficult to impose levy

We have suggested a levy n millers as there are limits eyond which it would be ifficult to impose levy on the roducers. Levy on producers as been tried in the past in everal states with varying egrees of success. Where the ates of levy are reasonable aking into account the diffeences in size classes and etween irrigated and unrigated areas and the system as the necessarily administrave and political backing, it as worked farly well. A ombination of levy on proucers as well as on millers ay enable the collection f the required quantum of ereals in a state. In some reas, the acccent may be on e levy on millers, as in aryana, where a large proortion of the paddy produced s marketed.

The levy on millers should lways be accompanied by levy on hullers. Past exerience shows that where it ad not been so, there had een large scale diversion of rain from the milling indusry to hullers to avoid levy. suitable combination of the evy on producers, millers nd hullers will have to be orked out to acquire the equired quantum of cereals or the public distribution ystem.

Earlier, we have indicated at the levy on traders as a ajor instrument for procurng grains cannots be depended pon. Even in respect of oarse cereals, the system hould be the compulsory raded levy in areas where hese are the main crop. However, in areas where the production or the coarse cereals is dispersed, a levy on traders may be administratively more convenient. We must also add that in such areas where this system may be adopted, it would be necessary to support it with cordening, without which the system cannot succeed.

We are aware that the pre-emptive purchases of wheat in heavily surplus areas of Punjab and Haryana have been in vogue for a long time and the system has given fairly good results particularly in years of good production. Since the system has been working for such a long time the concerned state governments may not wish to disturb it. We feel that if the state government concerned wish to continue this system, this may be allowed provided they are able to procure through these arrangements the quantities as stipulated under the National Food Budget, We may, however, point out that this system of pre-emptive purchases requires the continuance of restrictions on the movement of grains outside the states and cordoning of the surplus areas all the year round. Thus, the farmer would get only the procurement price or a price very near to it throughout the year. On the other hand, uuder the levy system. once the farmsr deliveres the grain as per the levy he is free to dispose of the rest of the produce in the open market.

procurment of requisite quantities

The continuance of movement restrictions and cordening may not be necessary after the requisite quantities are procured. We should like to reiterate that what is important for maintaining the public distribution system is to ensure a total procurement of 12 per cent of the production of cereals. In most states, and for the most of the cereals, compulsory graded levy on the farmers would be preferable, the rates varying from state to state depending on the quantum to be procured under the National Food Budget. If the states, for any reason, adopt other forms of procurement taking into account the special circumstances therein, they may be allowed to do so subject to the condition that they have to fulfil the procurement targets detarmined under the National Food Budget.

grain as levy

In Maharashtra, the producers of commercial crops are also required to pay levy to the government in terms of grain. This they do by selling their produce and buying the reqired quantity of grain. The system has much to commend itself. If the compulsory graded levy is put on the producers of foodgrains and commercial crops, there will be no discrimination aganist the farmers producing foodgrains, a charge that is genernlly made now. The adoption of this approach will, at the time, remove the apprehension of large scale transfer of area from food crops to commercial crops. The result of the Maharashtra experiment deserves to be watched.

It is suggested from time to time that land revenue should be collected in kind. We have not examined the pros and cons of this suggestion. However, to the extent it is feasible to collect land revenue in kind, there would be a case for correspondingly reducing the compulsory levy commitment of the farmers.

Earlier, we have suggested that approximately 12 per cent of cereals should be procured annually on an average for the public distribution system. It seems that even after 12 per cent of foodgrains is procured, sufficient quantities will be left with the farmers to be disposed of in the open market where they can get much higher price. The proportion of production which comes to the market as marketed surplus is around 25 per cent in the case of rice, about 35 to 40 per cent in the case of wheat and about 12 per cent in the case of jowar. On this basis, it will be reasonable to expect that marketed surplus in the case of both rice and wheat will be at least around 10 to 11 million tonnes each on the basis of the existing levels of production. In the case of coarse grains, 5 to 6 million tonnes of marketed surplus will be a reasonable estimate. It will, therefore, be seen that enough quantity will still be left with the farmers for disposal in the open market. What they will forego on the levy price, which is likely to be below the open market price, they can make up in the open market where price goes up as a result of procurement and thereby their weighted average price will not be less.

quota for central pool

We have earlier recommended that a National Food Budget be prepared every year taking an objective view of the production possibilities in the states and requirements for the purpose of deciding each state's procurement targets and/or the quota from the central pool. In working out the availability not only the surpluses in surplus states should be estimated but also the surpluses of surplus farmers and surplus areas in deficit states would have to be reckoned. For this, reasonably accurate data regarding producrion potential likely surpluses and consumption requirement would be required in respect of both surplus and deficit states, so that both the requirement of deficit states and the supplies from surplus could be worked out impartially. Otherwise, there would be various types of pressures and the centre would be blamed for not feeding the deficit States.

In the above context, the Commission would like to comment on the availability of data, needed for formulating the food policy, both with the central and state governments. In connection with its examination of the requirement of the public distribution system, the Commission was in need of data regarding the quantum presently distributed in urban and rural areas separately. To the Commissions surprise, the information is not only not available at the centre but alse, except for a few states, not available readily units the state governments. In reply to our enquiry, only five States and two union territories could furnish the required information; five other States and one union territory could provide only the total quantum distributed.

It appears from the data furnished to us that in Maharashtra the grain distributed was more in rural areas in three out of five years; but this seems to be due to special arrangements for drought relief. In Orissa, the distrtbution has been consistently more in the rural areas. In Rajasthan, the balance is in favour of the urban areas. The same is true of West Bengal, because of the large urban population covered by the statutory rationing system. In Karnataka, the rural areas have received more cereals in three out of five years. Considering the importance of the relevant statistics, we recommend that the authority responsible for the public distribution system should collecd, as precisely as possible, data about distribution of cereals in rural and urban are asseparatly in order to decide the quantum required for future distribution.

propensities for hoarding

We have recommended that the entire quantity of cereals needed for the public distribution system should, preferably, be procured through levy. In case the government wishes to purchase additional quantities from the market, this should be done without announcement of either the proposed quantum of purchases or price. Otherwise, the producers and traders with their propensities for hoarding and speculation will try to dodge the levy seriously in the expectation of selling the same grain to the government in the open market at a higher price.

When it is decided to buy additional quantities of cereals in the open market, the government agencies must be in a position to buythe grain at the most favourable price ruling in the market. In order to develop a great deal of efficiency in purchases, we suggest that the Food Corporation of India, which is a nationwide organisation should link itself up with all the markets of each region through appropriate communication and market intelligence system and should be informed each day of the prevailing market prices and arrivals. It should then operate in the cheapest market each day and should undertake switch operations from the dearer markets to the cheaper markets, This system in followed the world over by the large and efficient buyers.

FCI's business

The Food Corporatian of India should also cast itself in the role of a large and efficient business concern, fully informed of the market conditions and making full use of the economy of large scale operations.

After the realisation of the levy by a stare, the state government should be given the option to remove restrictions on the movement of foodgrains. However, the question whether the obligations of levy by a state have been fulfilled or not should be decided not by the concerned state, but by the central government put.

The Commission is fully aware that the costs presently incurred in procurement and distribution of careals are very high. We would, therefore, recommend that the marketing margins should be reviewed and reduced, wherever possible, so that grain can be sold at reasonable prices to the consumers, while, at the same time, farmers are given an economic price for their produce.

Buffer stock of foodgrains is an integral part of the public distribution system. In preparing the National Food Budget. a view must necessarily be taken on the level of buffer-stocks to be maintained and the manner in which the stocks would be built up. We have already pointed out that in good years, the pressure on the public distribution system being less, there is likely to be some balance from internal procurement which could be transferred to buffer stocks.

constraint of foreign exchange

In the case of a commodity for which shortage is chronic, it may be necessary to build up stocks from imports in spite of known constraints of foreign exchange. We would also like to emphasise that the buffer stock of foodgrains should be released, in times of need, mainly through the public distribution system. It should not be frittered away by releasing it to the open market as it would require a large quantity of stock to influence and stabilise the open market prices. Since this is not possible and the speculative elements are likely to corner whatever releases are made in a difficult year, a regulated release through the public distribution system appears the most desirable course.

The Commission considers that the present practice of announcing the procurement price before the harvest is the correct procedure. A question has, however, been raised as to whether there should be a mid-season change in prices. The point arises from the concern that procurement may fall short of requirement and a higher price may be necessary to get hold of adequate quantities to compensate for the cumulative storage cost. In our view, this approach is fraught with danger. Once the farming community, particularly those with capacity to withhold supplies, come to know that there is a possibility of upward revision in prices, they will have vested interest in postponing levy commitments and compel the government to raise the price.

It has been suggested that unlike an all-India minimum support price, the procurement price could be different in different states depending upon the production performance. But a single price has the advantage o avoiding a lot of local pressure. However, we do no think that a very rigid attitude should be taken on this point. Although we have suggested compulsory graded levy at a fived procurement price, there may be some psychological advantage in the collection of the levy in a shortage situation if a little extra price is paid in a particular state where production might have suffered relatively more. To the extent that the extra element is kept within limits and its impact on the pooled price of grain issued from the public distribution system is marginal it would be permissible to allow for such extra payments in specific situations.

small and marginal farmers

Lastly, the Commission would like to draw attention to the sale of foodgrains by the small and marginal farmers. It is noticed that in many places these farmers, due to their wants, are forced to sell their produce in the local markets at distress prices, which are blow the price that the government offers for its procurement purchases. It is also reported that bigger farmers get hold of the grain from the smaller farmers through such means and pay the same grain to the government in the form of levy, thereby saving their own grain for sale in the open market at much higher prices. Considering that both these practices do immense injustice to small farmers, serious consideration should be given to the question of reorganising the public purchasing activities in such a manner that the procurement agency is in the market well ahead of time to gather the grain from the small farmers if they wish to sell it. If the procurement price is offered to them, they will willingly give the grain to the public procurement agency. Thereby, the government will be collecting enough grain from this section of farmers although it might have exempted it from the purview of compulsory levy.

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Not, surely, a man for all seasons

V. Balasubramanian

IN NORMAL times, that is to say, in the good old days, budgets were essentially fiscal tools of policies settled in a more general context. recent years, in most of the countries of the world, things had been shaping differ- tly. The budget has in itself become now both a philosophy for economic policy- king and an engine for the implementation of policy in its broad designs as well its fiscal details. Consequently, Finance ministers are increasingly being judged the macro-economic approaches and attitudes of their budget concepts as much on the micro-economic particulars of their proposals. For good or ill this a year in which the Finance minister is required to hold himself answerable, st and foremost, to the contribution his budget for 1975-76 ought to make to the lancing of the economy at the macro-economic level.

This is so partly because his "distinguished predecessor in office", to whom Mr . Subramaniam made a reference at the outset of his budget speech, had grievously iled to meet the macro-economic demands made on him on the occasion of the udget for 1974-75 which he presented a year ago. In the *Eastern Economist* udget Number, last year, I described that budget as a "charter for inflation", nd so it turned out to be. I wrote then that "this budget should have occupied self with, in the first place, preventing a further expansion of money supply and, econdly, bringing about a substantial contraction of it in the course of the new nancial year beginning in April." Mr Chavan, however, had other ideas or, per- aps, different priorities.

In any case, that budget proved to be an extremely short-lived misadventure though its adverse consequences were certainly not of a passing nature. By July, ss than four months after the budget was passed by parliament, it had become ear that there had been a grave failure of budget strategy at the macro-economic vel of keeping the economy in working order or the micro-economic or fiscal level f keeping the administration going in a financial sense. Quite possibly, it was ne latter effect which forced the government to take the situation seriously. Thus ame the famous anti-inflationary package of July last year in which were included series of measures for additional taxation having the character of a supplementary budget.

During the slack season last year, in the period between April 26 and July 26, credit expansion was Rs 344 crores or 4.6 per cent as compared with Rs 117 crores or 1.9 per cent during the corresponding period of the previous year. Bank advances for purposes other than food procurement rose by Rs 284 crores as against Rs .8 crores. Food advances increased by Rs 60 crores or nearly two-thirds of that during the corresponding period of 1973. The rate of growth in commercial bank deposits was 5.6 per cent during April 26 to July 26, 1974 as against 6.1 per cent in the same period of the previous year. As of July 1974, the wholesale price index was higher by 26.1 per cent in comparison with the level a year earlier. Apart from 'industrial raw materials' which had gone up by only 9.4 per cent over the year, all other groups shared in a major way in the rise in the wholesale price index, the increase in the case of 'food articles' being 23.6 per cent, 'manufactures' 32.4 per cent and 'fuel, power, light and lubricants' 64.2 per cent.

Following the July measures, the rate of increase in the price level started decelerating. Between June 29 and July 27, 1974 the wholesale price index had gone up by three per cent, in the following month the rise was 2.3 per cent and in September it was 1.4 per cent. Even so, over the year ended September 28, 1974, the index had gone up by 30.6 per cent as against 21.6 per cent in the preceding year. 'Food articles' were up by 30.9 per cent, 'manufactures' 29 per cent and 'fuel, power, light and lubricants' 60.9 per cent. The rapid increase in the wholesale prices in the first nine months of 1974 was, as this year's Economoic Survey puts it, duly reflected in the retail prices. The consumer price index advanced from 248 in September 1973 to 334 in September 1974, an increase of nearly 35 per cent.

During the last quarter of 1974 indications gradually grew of the progressive accentuation of the impact of the anti-inflationary measures on the price level. The wholesale price index started falling just before October and in the five weeks ended November, it fell by about three per cent from the peak level it touched in the third week of September. In November the index remained stable and there was a marginal decline in December with the result that at the end of that month, the level of wholesale prices was about 21 per cent more than what it had been a year earlier. In January, again there was another slight fall. The consumer price index had been following a more or less similar course. The index rose by one point in October from 334 to 335 but declined by four points to 331 in the next month.

Falling prices

The Finance minister has described these developments as "visible signs of a downward trend in prices" and has helpfully argued that only incurable pessimism could "bar us from acknowledging with some satisfaction" this proof of abatement of inflationary pressures. He has also referred in this connection to the details of price trends for important commodities appearing in the Economic Survey. The Survey notes that the major consumption group of food articles showed a declining trend after September 1974. Food grain prices fell from October, while those of edible oils showed a downward trend from September. In the manufactures group, prices of silk and rayon fabrics were lower after June and of cotton textiles after October. The corresponding intermediate goods, namely rayon and cotton yarn, fell from July and August respectively. Another category of intermediate goods, i.e. metals, registered a declining trend, partly as a result of international factors, after August 1974. The sub-group of intermediate products as a whole showed a decline from September, while the other sub-group under manufactures, namely, finished goods, followed suit two months later. Among industrial raw materials, raw jute prices were lower on the average in the last quarter of the year. Raw cotton prices fell precipitately in October and November and there was some decline in oilseed prices from September onwards.

Combating inflation

The Finance minister has held that "as a result of rigorous measures adopted by the government, we have succeeded in combating what seemed to be a runaway inflationary situation." He has claimed that, in order to achieve this purpose, "government non-developmental spending was curtailed, increase in wages and a part of additional dearness allowance had to be temporarily frozen, the increase in the rate of money supply drastically brought down and severe action taken against hoarders and smugglers." It is possible that here the Finance minister has neither stated the whole truth nor uttered only the truth. For instance, we have only his word that the government has curtailed non-developmental spending in the current financial year. This kind of plea is easier advanced than substantiated and this country has had long experience of such claims made over the years by successive Finance ministers.

The proof of the pudding is in the eating and we have had particularly disturbing evidence in the recent past of the government having completely lost control of budgetary outgoes. The original budget for the current year envisaged a deficit of Rs 126 crores. This was after the levy of new taxes expected to yield to the central government additional revenue of Rs 185 crores. In July the then Finance minister appeared before parliament with additional tax measures which were estimated to fetch the central exchequer Rs 123 crores during the remaining period of 1974-75 (Rs 210 crores in a full-year period). At that time it was stated that the government had to meet expenditures or increases in expenditure not contemplated in the main budget and that, although Plan and non-Plan expenditure was being cut by about Rs 200 crores, it was still necessary to raise more money by taxation. It was a revealed that, even after the supplem tary dose of taxation (and the amo of Rs 200 crores which was to be sa through cuts in spending), the deficit 1974-75 was expected to be of the or of Rs 142 crores as against a deficit Rs 126 crores projected in the earl budget estimates.

Now Mr Subramaniam's revis estimate for 1974-75 says that the ye may end with a deficit of Rs 625 cror He desires that about Rs 330 cro should be deducted from this total " account of payments for stocks on ha of imported food and fertilizers, whi will soon be recovered." The residu deficit would be Rs 295 crores. In oth words, the revised estimate of budg deficit for the current year is Rs 169 cr res more than the deficit estimated at t time of the main budget and Rs 1 crores more than the deficit estimat when the supplementary budget was pr sented. It is not that the Finance min ter cannot explain or explain away the variations. After all this is what t Finance ministry is for.

Unrealistic estimates

Mr Subramaniam says that the orig nal budget estimate of deficit had go awry because Rs 195 crores more had be spent on food subsidy over and abo the original budget provision of Rs 1(crores. Again, whereas a lump sum prov sion of Rs 120 crores was made initial to meet the cost of additional dearne allowance for central government em ployees, the draft on the budget for th purpose is now expected to be about R 230 crores or Rs 110 crores more tha the original provision. There has als been a major departure from budget est mates in the case of Defence expenditur which has gone up by Rs 242 crores fro Rs 1,915 crores to Rs 2,157 crores. Th central government, again, has provide additional assistance to the states to th extent of Rs 161 crores over and abov the budget estimates.

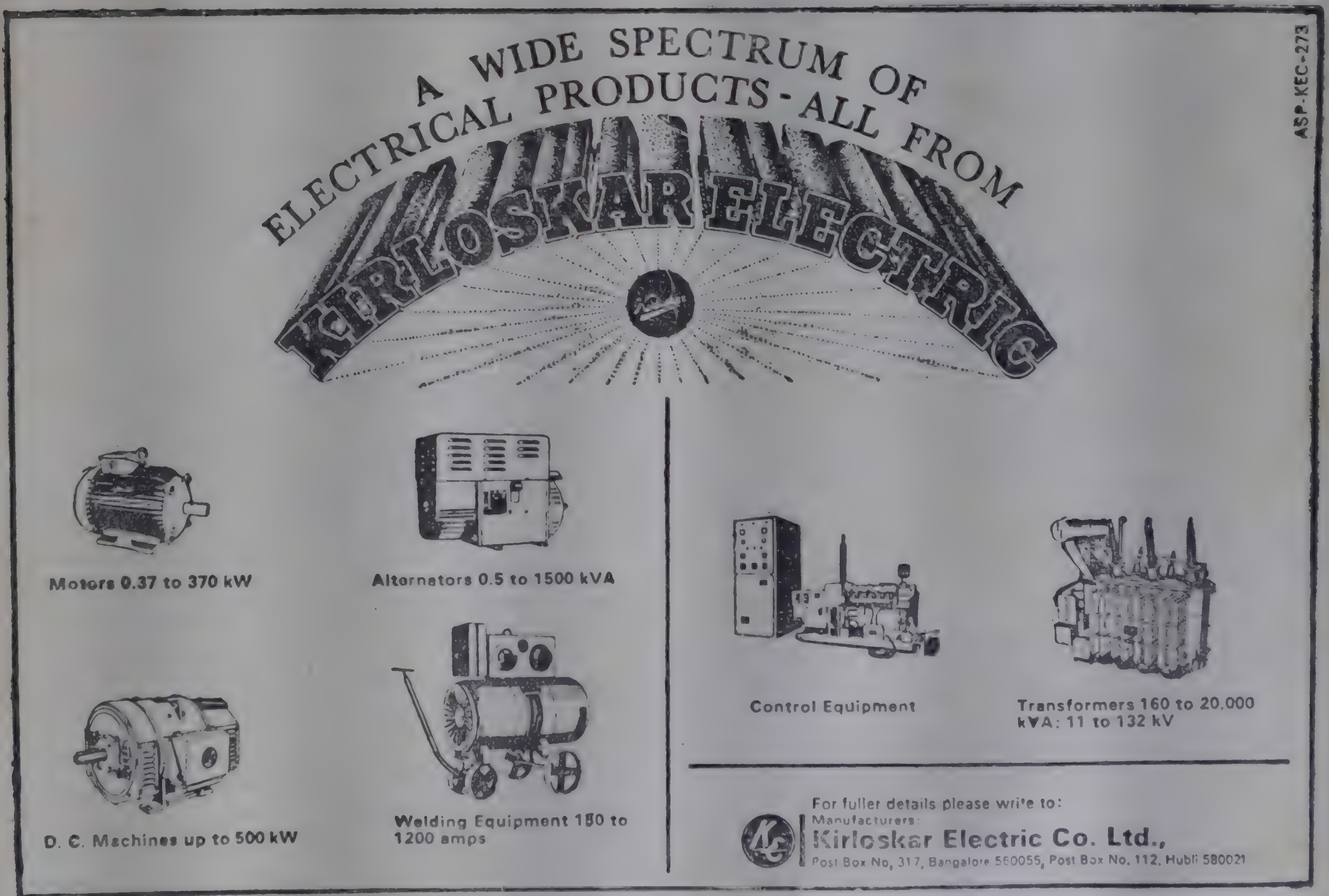
It has also had to provide additiona funds of the order of Rs 126 crores t public sector undertakings, mainly fo meeting increases in wages and dearnes

owance and higher cost of fuel. A
ther amount of Rs 190 crores was ab-
rbed by escalation of costs on account
Plan schemes in the core sectors, such
fertilizers, power, coal, petroleum,
eel, ports and paper. Finally there has
en an estimated cash outgo of Rs 290
ores on account of fertilizer transac-
ons which had not been provided for in
e original budget estimates. All the
pward revisions in allocations aggregated
Rs 1,304 crores. From this amount is
be deducted the sum of Rs 330 crores
hich Mr Subramaniam has treated as a
edit item on account of recoveries due
n stocks in hand of imported food and
rtilizers. This leaves a balance of Rs
74 crores.

On the receipts side the revised esti-
ates from customs at Rs 1,300 crores is
s 364 crores more than the budget
stimate. Income and corporation taxes
ave yielded Rs 90 crores more at Rs
,460 crores as against the budget esti-
nate of Rs 1,370 crores. External receipts on account of loans have gone up by Rs 43 crores and in respect of grants by Rs 60 crores. Export of sugar on government account has yielded Rs 125 crores. All these additional accruals over and above the original budget estimates add up to Rs 682 crores. If, as was proposed at the time of the supplementary budget, the government had really effected a saving of Rs 200 crores on Plan or non-Plan spending, this amount could and should be added to the sum of Rs 682 crores and the resulting total of Rs 882 crores has to be related to the amount of Rs 974 crores earlier arrived at as the total of additional outgoes after taking credit for the value of stocks on hand of imported food and fertilizers. On this reckoning the net deficit should have been only Rs 92 crores whereas it is now Rs 295 crores. In other words, it is larger by Rs 203 crores which, incidentally, is equivalent to the extent of the saving which the government said in July last year that it had decided upon.

There is thus *prima facie* ground for holding that Mr Subramaniam's assertion that the government has curtailed non-development spending in the course of combating "what seemed to be a run-away inflationary situation" demands more evidence in its support than is given in the budget speech or is readily available from other budget papers.

It could therefore, be concluded, at this stage, that, had the government really imposed on itself some part of the austerity which it so enthusiastically prescribed for the public and the business community in July last year, it would now have been in a better position than it actually is to claim that its own conduct had been as much in the public interest as it needed to be during a period when the country was going through a grave economic crisis, industry and commerce was being squeezed for working funds or investible resources and all sections of the community including those commonly classified as vulnerable were being required to pay more and



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There is also another way of looking at the budget figures of receipts and outgoes in 1974-75. The total tax revenue (including states' share) has gone up by Rs 630 crores from the budget estimate of Rs 5,498 crores to the revised estimate of Rs 6,128 crores. In the supplementary budget, the additional tax revenue (including states' share) during the remaining period of the current financial year was estimated at Rs 136 crores. This means that there has been an underestimation of revenue to the extent of Rs 494 crores and this is in spite of the fact that the government has had an opportunity to review the original budget estimates in July last year when the supplementary budget was processed. It is indeed surprising that the revenue estimate should have gone particularly haywire in the case of receipts from customs, an area where import planning and export programming by the authorities are supposed to have been firmly established over a period of import controls and export regulations.

It is worth emphasising here that, even as late as in July, the government had shown an amazing readiness to ignore possibilities or dismiss probabilities in respect of foreseeable increases in expenditure. After having committed itself to a particular scheme of dearness allowance for its employees and while being fully aware that prices were hell-bent on an inflationary spree, the then Finance minister not only omitted to make reasonable provision for dearness allowance in his main budget, but, even while presenting the supplementary budget suggested that only Rs 112 crores more would be needed for the purpose over and above the lump sum provision of Rs 120 crores made earlier.

Government's obligation

The present Finance minister's budget speech reveals that the government's liability on account of dearness allowance could be confined even within this increased provision only because it was able, earlier this year, to negotiate a settlement with its employees. However, although the draft on the budget in the current financial year could thus be limited to Rs 230 crores, the government's obligation to make payments in excess of this sum (to which its employees are entitled) has merely been deferred temporarily through the device of the employees voluntarily agreeing to have the arrears deposited in their provident fund accounts for a short period.

Similar reluctance to make realistic provision for foreseeable expenditures was also shown in the case of defence expenditure. Whereas the supplementary demands indicated an additional expenditure of Rs 75 crores over the budget provision for the Defence Services on account of rising costs and improvements in the emoluments of Defence personnel, the revised estimates show that the additional provision actually required is likely to be of the order of Rs 142 crores. Again, the allocation for food subsidy was increased through the supplementary demands from Rs 100 crores to Rs 225 crores but now the revised estimates places the requirement at Rs 295 crores. Finally, in the case of Plan expenditure for core projects the additional funds provided in the supplementary demands were about Rs 152 crores but the present Finance minister says in his budget speech that the additional funds involved would be larger, namely Rs 190 crores.

Inevitable conclusion

When all these manipulations of estimates of revenue or expenditure for the financial year 1974-75 are taken into account, it becomes difficult to resist the conclusion that, although the government had an additional opportunity in July last year to review the trends in the central finances and present a reasonably accurate picture of developments in revenue or capital accounts, it did not do so, although the stresses and strains of the national economic situation demanded of it a more truthful or precise approach to an assessment of its resources or liabilities. It cannot be denied that by the end of July 1974 the government was in a position to estimate reasonably accurately how the outlook for its finances was changing. Had it based its calculations honestly or efficiently or both on the data available to it, it would certainly not have misinformed the public at the time of the supplementary budget that the deficit estimated earlier at Rs 126 crores was only likely to increase to Rs 268 crores and that the additional taxation ptoposed would therefor help to keep it at Rs 142 crores.

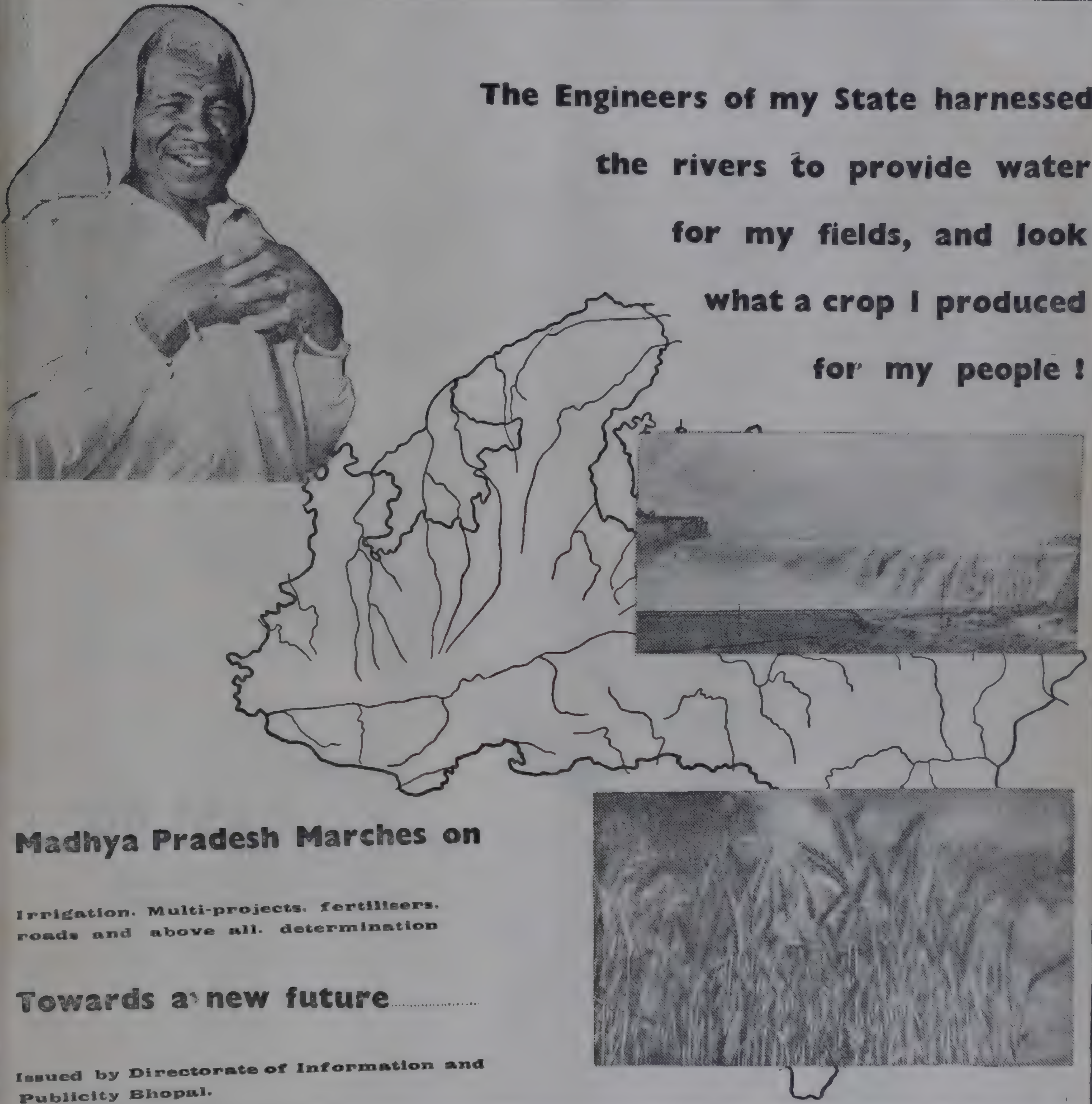
The point that I am trying to make i that the government was wide of the mar in July last year in its estimates of trend of revenue, expenditure or deficit and tha here a large element of deliberate inten must be suspected. It is quite clear tha the government and the then Financ minister did not want to take the countr into their confidence even at a time whe they were mounting their anti-inflationary offensive with a blare of drums

Deceiving themselves

It is evident that they were not prepare to admit either to themselves or to th country the order of fiscal discipline o their own part that the situation reall called for. They gave an assurance o economy in expenditure of the order o Rs 200 crores of which it is not easy t find any trace either in the budget speec of the present Finance minister or th various budget documents he presented t parliament last week. Even in the making of that promise which, apparentl was without much substance, they did n take into account adequately the full extent of the need for fiscal discipline i government as indicated by the data the should have had at the time about trend in the budgetary situation. They apparently knew in July but did not tell th public that the deficit would be much larger than what they said it was likely to b and they tried to hide from the people, i not from themselves as well, the trut that the additional taxation of the supplementary budget, substantial though it was was quite inadequate for achieving a non inflationary balance in central finances a the levels of government spending, whether current or prospective at the point o time.

II

It is quite clear therefore that the government's own contribution to the anti inflationary strategy, which it had itsel initiated in July last year, was less tha nothing in the area of fiscal discipline. I is against this disturbing backgroun



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that the present Finance minister's fiscal intentions and proposals for the year 1975-76 must necessarily be examined.

Take first the issue of dearness allowance. The Finance minister has indicated that the entire question of dearness allowance increases to central government employees "is to be discussed with their representatives in the next few weeks." He has rightly pointed out that, "in a country where there is considerable unemployment and underemployment, an excessive preoccupation with the current consumption of those who are fully employed erodes investible resources and seriously affects the pace at which new employment opportunities can be created to alleviate the sufferings of those who are unemployed." Mr Subramaniam has also argued, again rightly, that "an increase in monetary rewards, not justified by an increase in the country's productive capacity, accentuates inflationary pressures in the economy and may thus threaten the security currently enjoyed by those who are fully employed." Proceeding, he has expressed the hope that "in our forthcoming discussions the dearness allowance question will be considered in this larger perspective."

The country will extend its full support to the propositions laid down by Mr Subramaniam and it would naturally share his expectation that "the dearness allowance question will be considered in this larger perspective." Nevertheless the practical problem of what view the budget estimate for the next financial year is to take at this stage of the probable liability on this account still remains. Here the minister has been more coy than candid. There are of course sound practical reasons for his not disclosing at this stage the government's negotiating position in the forthcoming talks with its employees. But this necessarily means that the budget estimates of expenditure are, to this extent, incomplete and the future alone will show what effect this will actually have on the finances of the government as they develop in the course of the budget year. In other words a question mark has to be placed against the minister's estimates of pre-tax and post-tax deficits for 1975-76.

Mr Subramaniam has provided Rs 2,274 crores for Defence, which means an increase over the revised estimates for 1974-75 of Rs 117 crores. Here the increase on revenue account comes to Rs 84 crores and on capital account about Rs 33 crores. It is interesting to note here that, so far as capital outlay on the Defence Services is concerned, the government has indeed been holding the reins tight. Thus, for 1974-75, as against a budget provision of about Rs 260 crores for the purpose, the revised estimates indicate that only Rs 222 crores are being spent. For the new financial year the provision is about the same as in the budget estimate for the current financial year. It is however in the case of revenue expenditure on the Defence Services that the spending has been sharply upward. We had earlier referred to the experience in the current financial year. If this be any guide, some doubt could be entertained whether the provision for 1975-76

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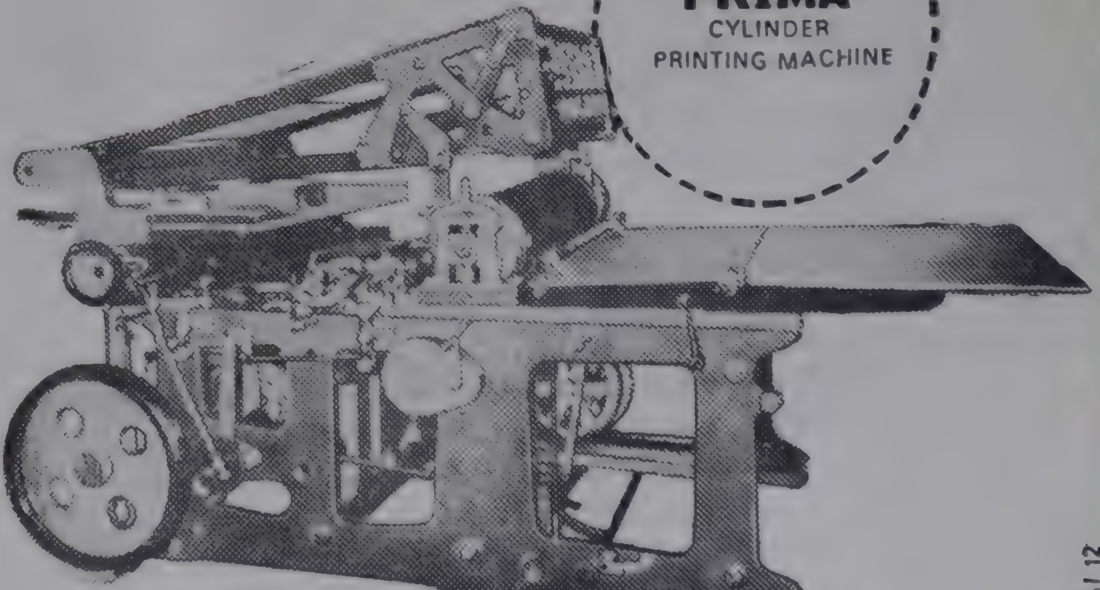

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may not be on the low side. In any case no provision is now being made for dearness allowance in the case of revenue expenditure on the Defence Services.

As for food subsidy, the budget estimate for 1975-76 is the same as the revised estimate for 1974-75, namely Rs 295 crores. The minister has disclosed that, in the coming months, he expects the public distribution system to expand by handling more grain and serving more consumers. He believes apparently that this can be done without addition to the burden of subsidy. To the extent that the availability of food grains from domestic production may improve, this assumption may have some substance. Again, international prices of food grains are tending to decline and this too could help. The benefit of the doubt may therefore be given to be Finance minister and it may be assumed for the time being that the provision for food subsidy is reasonably realistic, taking into account the government's reported reluctance to raise procurement prices.

The outgo on fertilizer transactions next year is estimated at Rs 140 crores. This compares with the estimated cash outgo on this account of about Rs 290 crores in the current financial year. The assumption here apparently is that the domestic production of fertilizers will go up, thereby reducing imports and that at the same time, world prices of fertilizers will also come down, thus making such imports as are effected less expensive. These are probabilities which may be realized although it still remains to be seen whether the Finance minister has not been too optimistic in scaling down the relevant provision by more than 50 per cent.

Improved performance

Between 1974-75 and 1975-76 non-Plan assistance to public sector undertakings has been reduced for the budget year by Rs 78 crores from the provision in the current year of Rs 217 crores. The hope here is that the performance of these undertakings may improve in 1975-76. In the case of Plan schemes the current year's experience has been that the provisions made for them in the budget estimates had been less than the actual expenditure due to escalation in costs. The cost factor will probably continue to act in the same way and this would mean that the relevant allocation in the budget for 1975-76 may not fully cover the actual expenditure. In the circumstances the Finance minister could have been more prudent and not anticipated any reduction in non-Plan assistance to public sector undertakings so that this conservatism might result in a margin of safety for price escalations in public sector schemes as a whole. It is worth noting here that the total Plan assistance for 1975-76 will be Rs 5,960 crores or about 23 per cent over the 1974-75 Plan assistance of Rs 4,844 crores. When the size of the Plan increases, the margin of error in estimating its financial implications also tends to increase. This is one more reason why Mr Subramaniam should have provided some cushion for the budget estimates in this area.

Realistic assumptions

On the revenue side the Finance minister expects the corporation tax to yield Rs 770 crores in the budget year as against Rs 713 crores in the current financial year and income tax Rs 800 crores as against Rs 747 crores. These are projections at existing rates of taxation and they pre-suppose some gain in the level of economic activity as well as higher efficiency in tax administration and collection. These are assumptions which the Finance minister is entitled to make although it is just possible that the yield from corporation tax may be somewhat less buoyant than what Mr Subramaniam expects it to be. In respect of customs, the Finance minister has budgeted for a revenue of Rs 1,250 crores which is Rs 50 crores less than the revised estimate for the current financial year. He relates this reduction to expectations of lower imports of steel and the bunching of fertilizer imports towards the end of the current year. It may well be argued that, to be on the safe side, the minister should have estimated the probable revenue from customs a little more conservatively. It has been declared from the house-top that the balance of payments outlook is quite discouraging. It is also likely that domestic demand for imports of capital goods and raw materials might be somewhat less next year. There is also the possibility that world prices would be lower. In these circumstances a more reasonable estimate of yield from customs would have been much nearer the Rs 1,000-crore mark.

Diminishing returns

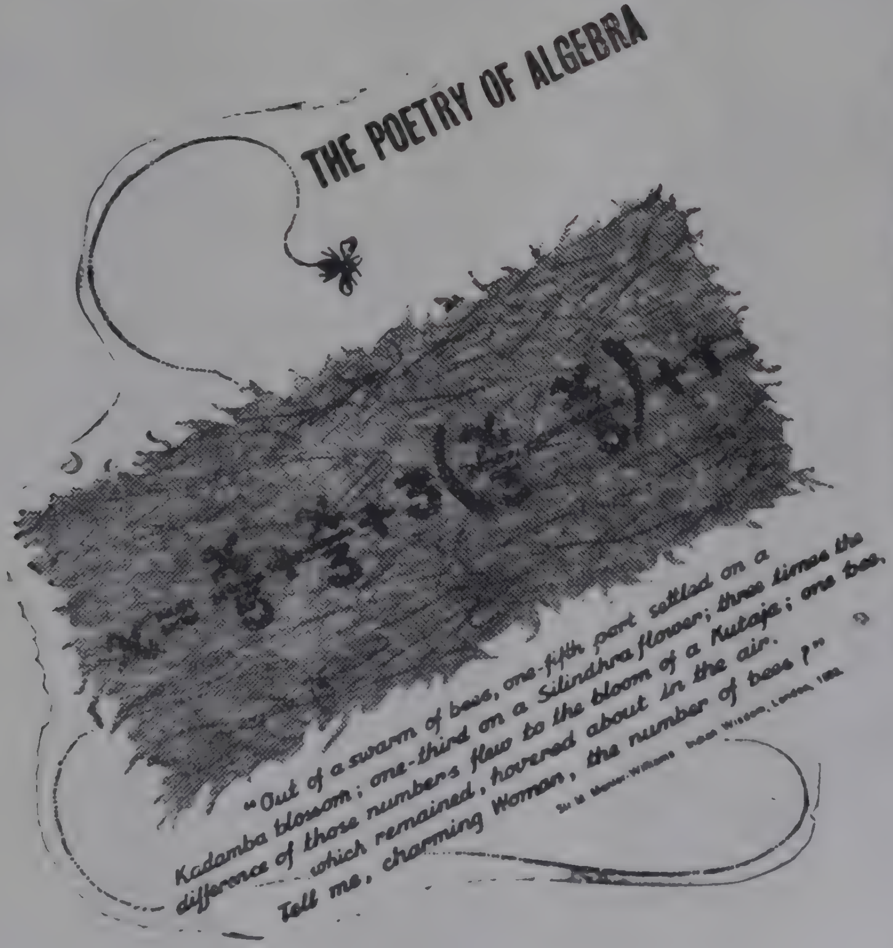
The minister assumes that the revenue from union excise duties at existing rates of taxation would go up from about Rs 3,184 crores in the revised estimates to about Rs 3,500 crores in the budget estimates. The yield from some of the major items covered by central excise has begun showing diminishing returns. This, for instance, has been the case with tobacco. Again, the production of many excisable articles is dependent on the adequate availability of power which is still a doubtful factor in many areas of the country. The government has been talking of the intensification of the export drive and this could mean reduced domestic consumption of many important excisable items. For all these reasons the Finance minister may be erring on the side of optimism in hoping for a natural growth in excise tax revenue to the extent of Rs 316 crores during the budget year.

In his estimate of capital receipts the Finance minister has not been particularly venturesome. The net borrowing through market loans is estimated at nearly Rs 325 crores, which is Rs 170 crores less than the net borrowing as shown in the revised estimates for 1974-75. Small savings are expected to move up from Rs 325 crores to Rs 380 crores. The capital budget expects substantial support from an estimated receipt of Rs 230 crores on account of oil credits from Iran, Iraq and Abu Dhabi as against Rs 170 crores during the current year, a credit for Rs 100 crores of special borrowing from the Reserve Bank of India against the likely addition in 1975-76 to block deposits with the Bank under the schemes of compulsory deposit of additional wages, half of dearness allowance increases and percentages of income of income-tax payers and an estimated receipt of Rs 75 crores as special deposits from the employees' provident nd (both exempted and unexempted) d other recognized provident funds. No edit is at present however being taken r food aid grants or credits from forgn countries.

Considering all these aspects of budget stimates of revenue and expenditure, oth on capital and revenue accounts, it nay perhaps be said that, although there nay be variations under individual heads, he estimated deficit of Rs 464 crores for he budget year at existing levels of taxaion may conceal possibly an underestimate of the order of Rs 200 crores. Since the Finance minister has proposed to add Rs 239 crores to central revenues through dditional taxation in the budget year, it nay be suggested that the residual deficit nay be larger than the figure of Rs 225 crores he has put down and that, after allowing for underestimating of the yield from new tax levies, the probable net deficit may be conceived to be of the order of Rs 380 crores.

Even according to the Finance minister the current year is expected to close with budget deficit of Rs 295 crores of an inflationary character. As I had mentioned earlier, the government has just been making not only no fiscal contribution to its own anti-inflationary strategy but has been pursuing a fiscal course which has clearly sided with inflationary pressures. The prospects for the budget year are that this fiscal irresponsibility will continue and that an even larger budget deficit of an inflationary character is probably being written into the budget estimates for 1975-76. The Finance minister has predictably argued that the level of development expenditure provided for in the budget has been kept down as low as possible taking into consideration the opposing pulls of the constraints on budgetary resources and the basic or priority demands of investment in the further growth of the economy. This however can be no excuse for resorting to inflationary financing to any substantial extent, especially at a time when the government is committing the people and the national economy to severely austere programmes of consumption or investment.

It was made clear earlier that there was no evidence that the government had actually secured the projected economy of Rs 200 crores in the less essential areas of its spending during the current financial year. It is quite revealing that, where the budget year is concerned, Mr Subramaiam has refrained from paying even lip sympathy to the concept of economy in less essential government expenditure as a means of providing more resources for priority expenditure with reduced resort to inflationary financing. The present budget has come after eight months of the launching of the July offensive against inflation. The people therefore have a right to demand of it that it makes a resounding contribution to fiscal discipline which is an indispensable part of any just or efficient anti-inflationary policy. Having come forward with additional taxation of a substantial order and facing prospects of capital receipts on account of foreign credits for oil, fertilizers and food, the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Finance minister should surely have been able to balance the budget on both revenue and capital accounts after providing reasonably for priority areas of public investment in terms of prompt and effective utilization of the resources allocated. By failing to do this the Finance minister and the government are in fact insisting on the people at large and the non-government sector of the economy bearing more than its share of the burden of anti-inflationary discipline.

Self-defeating approach

Apart from being unjust this is an approach which is likely to be self-defeating. This is because any laxity in fiscal policy has to be made good. This can of course be done to a limited extent through increased insistence on a tyrannical measure of monetary restraint. This imbalance in policy is bound to exact its price and to the extent that monetary and credit curbs are made more strict or continued longer than is unavoidable, investment and production are bound to suffer in the very large area in the economy which is outside the limited jurisdiction of government financing and which, after all, provides the base even for development in the sectors for which government may be more directly responsible. The basic message of the philosophy and structure of this budget, therefore, is that monetary policy must not only bear the brunt of the anti-inflationary exercise but can expect no help from fiscal policy. This is a prescription which the country or its production and investment sectors will certainly not be expected to accept with any degree of enthusiasm.

III

Quite possibly, the least discouraging part of the Finance minister's performance is that, in part A of his budget speech, he has emphasized in no uncertain terms the priorities for public investments in the period ahead. The total provision in the central budget for Plan requirements is Rs 3,612 crores and the Finance minister's claim is that this is the minimum demanded even in a year of straitened resources since "our long-term objectives and urgent priorities" will have to be adequately catered for. In some of the more impressive passages in his speech he has indicated what these priorities and objectives are. As he has phrased them, the first priority is the supply of good quality seeds of the high-yielding varieties, and for this purpose a major national seeds project for large-scale production of quality seeds has been launched. The full financial and other requirements of this programme, Mr Subramaniam has assured us, will be fully met.

Secondly, fertilizer production programmes are being pushed through, notwithstanding escalation in project costs of new units. In the third place, programmes designed to ensure optimum utilization of surface and ground water to aid agricultural production will be vigorously pursued. Command area programmes under major irrigation projects will be supported by sufficient inputs of men and materials so that the new potential is taken advantage of by farmers with the least delay and for maximum national benefit. Fourthly, special efforts are being made to organize farmers' service societies to provide credit in time, arrange for inputs and help in the processing and marketing of their produce.

Sense of urgency

The minister has declared that "next only in importance to the agricultural sector is the energy sector". He has spoken of a new sense of urgency in respect of our efforts to increase the production of indigenous crude, build up coal production and improve the transport of coal and raise power generation and step up efficiency in the transmission of power and the maintenance of power facilities. He has claimed that an important feature of his budget is "a clear-cut identification of the extreme priorities—food and energy with the supporting facilities—and the earmarking of adequate funds for the development of these two sectors in the first instance before taking up the claims of other sectors." Consistent with this approach the budget estimates include an amount of Rs 100 crores of special advance Plan assistance to certain states, which may have gaps in resources on the basis of central assistance at the current year's level, to ensure adequate investment in important projects in the core sectors of irrigation and power.

Again, the budgetary provision for the central plan of Rs 2558 crores mar an increase of Rs 429 crores over th corresponding revised estimate for th current year. Within this aggrega special provision has been made to ste up investment in the agricultural sect substantially, from Rs 193 crores in th revised estimates to Rs 270 crores. Ther will be an increase of Rs 84 crores i investment in fertilizer production ove the current year's level of Rs 190 crore and the Finance minister has assured u that adequate funds are being provide for major fertilizer expansion schemes i progress as well as for several new plans. A sum of Rs 900 crores is being provided for the state plans for power and a sum of Rs 140 crores for the centra power sector. Once again Mr Subramaniam has emphasized that adequat provision is being made for continuing work on major projects in this area and that rural electrification is also being taken care of. The central government is stepping up investment in the coal and lignite sector and the budget accordingly provides Rs 229 crores for this purpose as compared with the revised estimate o Rs 131 crores for the current year. The budget provision for petroleum and petrochemicals has also been stepped up to Rs 170 crores in 1975-76 as against Rs 60 crores in the revised estimates for 1974-75.

Government's responsibility

Outside the agricultural and energy sectors, steel, aluminium, cement, paper and textiles in the public sector have also had their claims for budgetary allocations favourably treated. Earlier in his budget speech the Finance minister had underlined the government's responsibility for directly contributing to an improvement in the production and availability of essential goods such as cloth, cement and paper in the case of which demand tends to outstrip supply.

Some of the commentators on the budget documents have complained that, although the financial provisions for the priority sectors or the annual Plan as a whole have been raised in comparison with the revised estimates for the current year, there is a larger element of erosion of real resources, which are being made

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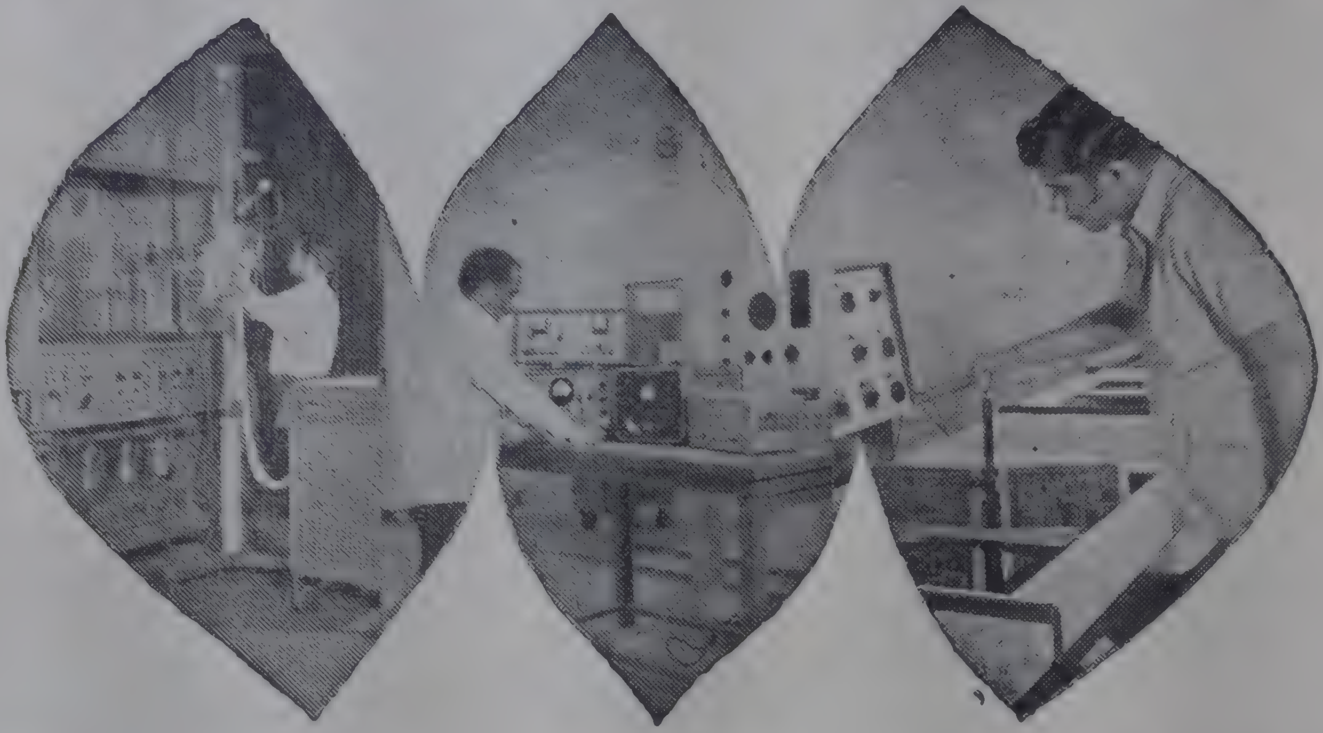

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ilable, because of the rise in price l. Others have criticized the govern- nt for allowing the budgetary provision urgent areas of need, such as agricul- e, to go down as a percentage of the al government expenditure. In my w these objections are not as substan- l as they see them. Given a certain nount of resources, the government has nsciously tried to make the maximum ovision possible for purposes of high nportance in the immediate context of e economy. What would really matter the centre and the state governments nd the specific official agencies concern- d making the most economical and ffective use of the resources which are eing provided. In other words, it has ecome more than ever important to mphasize the point that the implementa- ion of the development projects and the fficient utilization of capital outlays, nore than anything else, will determine he meaningfulness of that part of the udget rupee which is being earmarked or the further growth of the priority ectors of the economy.

Here, however, certain probabilities of an extra-budgetary character will have to be taken into account. In the first place there has to be an upsurge of purposefulness and efficiency on the part of project authorities and developmental agencies at central and state levels. The central and state governments may hopefully expect this to be the case, but there are no objective indications that things in this respect will be very much better in the future then they had been in the past. It is true that several public sector enterprises have been performing better. This is an encouraging sign, but it is not enough to confirm our faith in a general advance of a substantial character in the efficiency and productivity of public sector investments and development expenditure in the proximate future.

Moreover, it cannot be denied that the developing political situation in the country is not particularly congenial to the central and state governments giving unremitting attention to economic development goals or programmes. It no doubt helps to have the prime minister affirming that there is not going to be any early general election. This would allow some more months for ministers and the government machinery to attend to their normal responsibilities before switching over to the business of electioneering. Against this, however, there is the fact that the growing confrontation between the ruling party, whether at the centre or in the states and the opposition forces, both within the legislature and outside, will divert national attention and energies from tending the economy. It would therefore be only realistic to assume that, so far as the political situation or political developments are concerned, some very serious psychological and administrative bottlenecks are likely to emerge pushing the problems of the availability or sufficiency of financial resources somewhat into the background. In other words, there is a two-fold risk that neither the funds provided may be fully utilized nor those which may be actually spent would have been properly utilized.

In terms of these contingencies it would be proper for the public to reserve judgement on the real extent to which the priority given to urgent areas of

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development in the budget estimates of capital outlays or development expenditure may generate a quickening in the tempo of economic growth which the Finance minister is assuming to be the natural and necessary consequence of the scale and pattern of his budgetary allocations. Here it is also relevant to point out that, while the level of government expenditure projected in this budget—which, incidentally, has crossed the Rs 10,000-crore mark—should in a general sense be helpful to the economy in countering recessionary trends, shortfalls in government outlays of a productive nature which, as had been argued earlier, are more than probable, could only result in aggravating conditions of stagflation. This is a consideration which has got to be kept in mind by those who may be tempted to argue that even the inflationary financing of the level of spending projected in the budget is justified since this policy would stimulate economic activity and thereby fend off recessionary pressures.

IV

For weeks ahead of the budget there were reports in the press and the lobbies of parliament that Mr Subramaniam was heroically gearing himself to the mighty endeavour of producing a policy that would stimulate production, step up investment and promote saving, while also contributing to consolidating the anti-inflationary gains of recent months. It is therefore only to be expected that the Finance minister's actual performance on the floor of the Lok Sabha on February 28 would be assessed in terms of how far these objectives are being pursued. It is possible that so far as investment or production is concerned, Mr Subramaniam's primary argument could be that he has taken care of these purposes substantially through the pattern and priorities of his budgetary allocations or outlays. I have just discussed the merits and limitations of this claim and may now proceed to examine how his fiscal proposals relate to these macro-economic aims.

The Finance minister has indicated that he intends to introduce soon an amendment to the Restriction of Dividends Act which would provide that, while dividends in excess of the various limitations laid down in the Act may not be paid, higher dividends can be declared, the deferred dividends being payable in two annual instalments, but without interest, when the present Act expires. He has expressed the hope that this measure, taken with the tax relief recently granted to investments in units, "will improve the climate for investment, particularly in respect of new issues". Judging from the course of the stock exchange up till now it could be said that the Finance minister's optimism does not appear to be shared by investment circles. It was of course expected before the budget that, since Restriction of Dividends Act had so obviously knocked the bottom out of the capital market, including the new issues market, the Finance minister would make substantial changes in its provisions so that its oppressive impact might weaken considerably. The modification proposed by him, however, has come as a case of tweedledum and tweedledee.

Quite possibly the present Finance minister did not want to go back on a measure which was introduced only seven months earlier by his predecessor. That feeling of delicacy would be readily understood, but what passes my comprehension is Mr Subramaniam's reason for believing, as he apparently does, that the change he has made can in any way help to lift the depression off the capital market.

Justice to shareholders

Since it is clear that he is not disposed to consider basic changes in the scheme of the Act, it is no use asking or expecting him to have radical second thoughts, but it should at least be possible for him to provide for the payment of interest on deferred dividends which he proposes to permit. This would only be bare justice to shareholders who are in effect being asked to deposit compulsorily with their companies a part of the dividends to which they become entitled.

The Finance minister has spoken of what he described as "a package of measures" for improving the investment climate, namely, "extension of tax holiday, exemption of inter-corporate dividends derived from new companies engaged in high priority industries, exemption from wealth-tax of equity shares of new companies engaged in certain priority industries, and incentives to greater savings." He will surely admit that there is a deficiency in this package which is both conspicuous and unreasonable. It should not have been difficult for him to appreciate that the withdrawal of the development rebate has dealt a serious blow to the investment climate and that this is one of the more important reasons for the lag in investment in the priority areas of industry. Having set out to improve the investment climate, the Finance minister could surely have persuaded the cabinet to agree to the government retracing its steps in the matter of the development rebate.

Escalatian in costs

In Part A of his budget speech Mr Subramaniam has explained that he is "conscious of the fact that in recent years there have been steep escalations in capital costs which have acted as an inhibiting factor to new investment in certain capital-intensive industries which are vital for our future growth." It was within his power to have considerably enfeebled this "inhibiting factor" by a stroke of the pen restoring the development rebate. He has however chosen to await the report of the high-level committee appointed to go into this question of the escalations in capital costs of capital-intensive industries. I am prepared to assume that this committee, constituted as it is, will make imaginative and wise recommendations. However its report may not be in the hands of the government much before June and although Mr Subramaniam assured the Lok Sabha that "when the report of this committee is received we shall quickly examine the need for suitable fiscal concessions, and new pricing policies as a means of stimulating fresh investment in these areas," the possibilities are that a greater part of the current financial year will be gone before the report is processed—as the secretariat phraseology goes—for action at decision-making levels. By

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then the government, both at the political and administrative levels, will be entering the proximate pre-election period. The likelihood therefore is that, even if constructive fiscal decisions were to be taken during the later stages of the next financial year—and this is a large assumption—they can be implemented only in the next post-election budget. This means that so far as the budget year 1975-76 is concerned, the Finance minister has virtually left the matter pending.

In the context of promoting saving the Finance minister has liberalized the existing income-tax concession available in respect of long-term savings through provident funds, life insurance, etc. While the assessee has reason to be thankful to small mercies, it has to be pointed out that the depreciation of the value of money through inflation is so steadily eroding the worth of long-term savings under these categories that the Finance minister's gesture is more in the nature of a very small restitution than a vigorous new incentive. In any case, so far as assessees below the super-tax level are concerned, encouraging their willingness to save will yield results only when simultaneously the ability to save is also improved. Here it is perhaps pertinent to point out that the Finance minister has chosen to leave the exemption limit for income-tax unchanged.

It was widely expected that, given the government's chronic inability to control administrative and other unproductive expenditure and its commitment to fringe programmes of dubious validity or prestige projects of various kinds the Finance minister would be driven t resort to substantial additional taxatio in an attempt to cover some part of th inevitable deficit. It was however though in many quarters that Mr Subramanian would show some kind of originalit even if not exactly brilliance. I mysel do not know how this expectation arose It is true of course that he is as intelligent and well-informed a human bein as any the prime minister could hav chosen for the Finance portfolio. Bu given the historic course the government' management of its finances has bee following, there is really very little scop left for any Finance minister acting lik some Daring Young Man on the Flying Trapeze.

The Finance minister in fact is very

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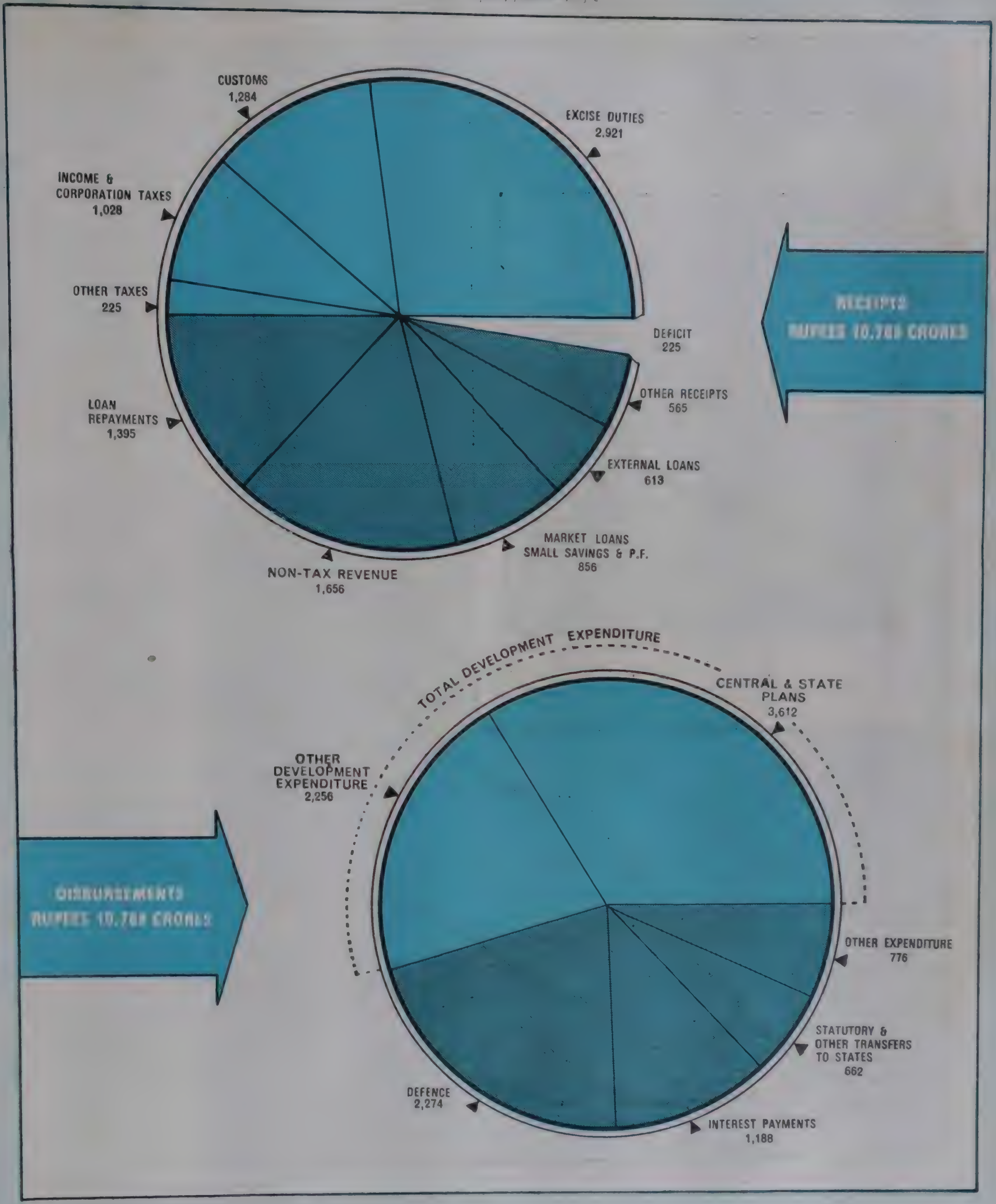

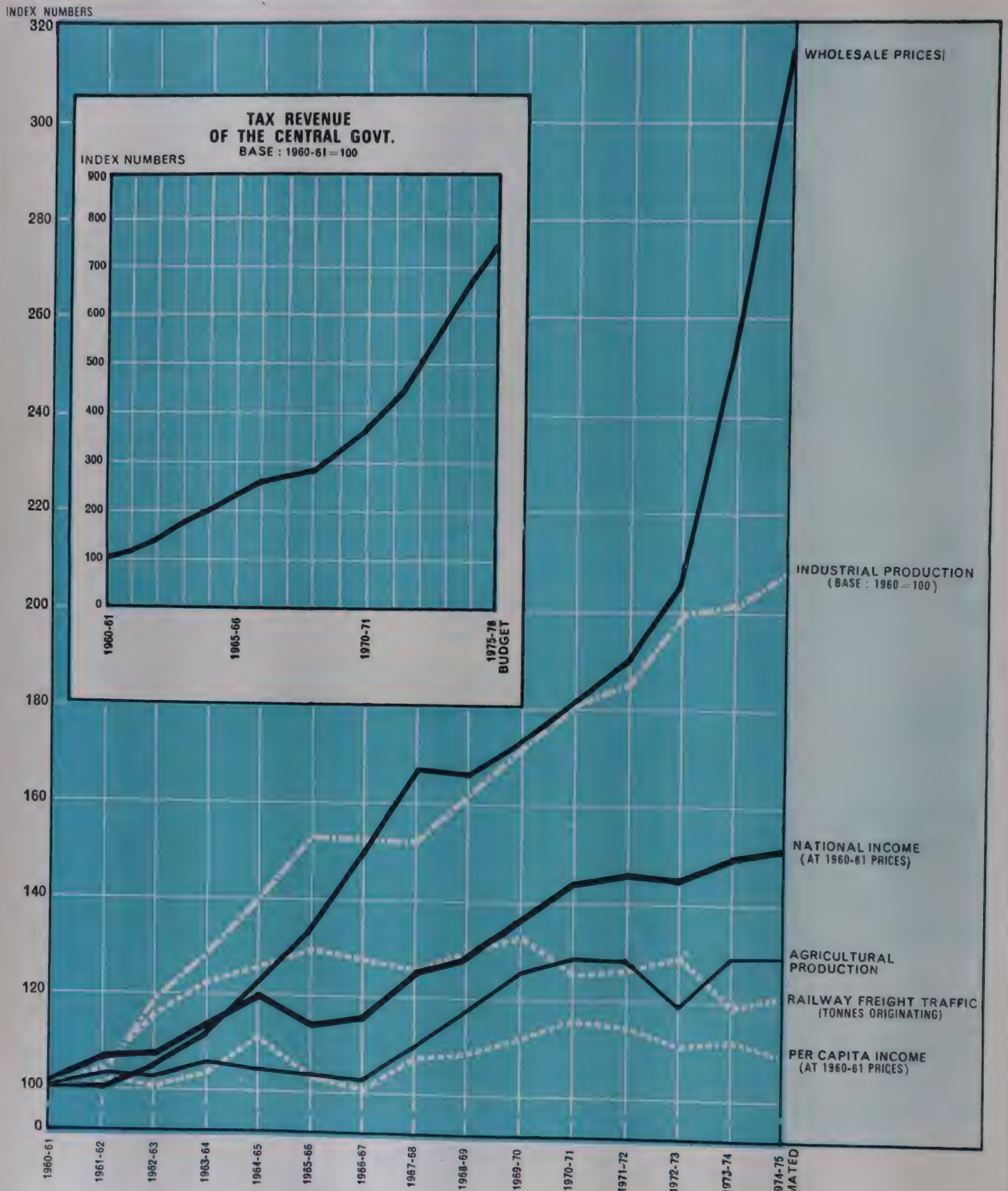

TAXATION GROWTH AND PRICES : 1960-61 TO 1975-76

BASE : 1960-61 = 100

ich like a goat tethered to a peg iven into the ground. He can forage ly so far as the rope allows. It is erefore not surprising that Mr Subraaniam has relied heavily on the excise xation of some familiar commodities. is purpose first and last is of course to ise a couple of hundred crores of upees more, but then no Finance miniser worth his salt is supposed to confess hat his fiscal purpose is so totally pedesrian. Mr Subramaniam has tried to rgue that he is increasing the excise duty n sugar and cement with a view to ncreasing the exportable surpluses of hese commodities. This of course is pecious reasoning. The government has omplete administrative control over the isposal of the sugar produced in the ountry. It can always make available some more sugar for export merely by making the necessary physical allocation especially as the export of sugar has also been canalised through the State Trading Corporation.

Increasing production

Again, if the government desires that more sugar should be available for export, the most direct and desirable way of doing it is to increase the production of sugar. It may be conceded that several steps have been taken in this direction and there is of course nothing to stop the government from acting even more positively in the matter. Instead, the Finance minister has to increase the excise duty on free sale sugar, a move which, if anything, is not one likely to arouse the enthusiasm of the sugar industry for stepping up investment or production.

In the case of crude petroleum and petroleum products, the government seems to be bent upon exploiting the foreign exchange angle for all that it is worth. Considering the series of excise duty onslaughts, which have been taking place both before and after "the oil crisis," it is doubtful that a further rise in excise duty is called for to regulate consumption. It is of course only too clear that the rise in the duty on motor spirit would further depress the automobile and allied industries (as well as transport particularly the taxi trade) which are not insignificant for the general economic activity in the country. The Finance minister has justified the increase in the duty on furnace oil as an inducement to industries to switch over to coal-fired equipment. If the implication is that good quality coal is available in sufficient quantities and for needed deliveries to industrial users, Mr Subramaniam is evidently looking at the coal situation through rose-tinted spectacles. In any case, since the price of nationalized coal is about to go up substantially, fuel cost for industry is liable to rise in all circumstances.

Uneconomic price

Having found that the proportion of aluminium of electrical conductor grade in the total production of the industry has been falling in recent years, the Finance minister has concluded that the industry's unreasonable and inconvenient preference for commercial grade aluminium should be discouraged by an increase of Rs 2,000 per tonne on the excise duty on commercial grade aluminium. He claims that this measure would provide encouragement for greater production of electrical conductor grade aluminium so that there will be no shortage of this material which is required by various power systems. It is indeed most unfortunate that the Finance minister has not chosen to recognize the obvious truth that the controlled price on electrical conductor grade aluminium is uneconomic and that the increase sanctioned by the government is considered by the industry to be unreasonably low. Had the government been really in earnest about ensuring sufficient availability of this material for the power systems, it could surely have taken a more realistic view of the price issue. Moreover, the level of production of aluminium irrespective of the grade is almost wholly dependent on the industry receiving sufficient supplies of electricity.

In these circumstances the Finance minister cannot really expect that the industry will be in a better position to raise production merely because he is planning to raise his earnings by taxing its profits on commercial grade aluminium. It is within the knowledge of the government that the industry is being required to make heavy investments in captive power generating facilities and that its internal resources have been depleted partly through rise in the cost of inputs and partly through interrupted working as a result of dislocations in the availability of electricity. It is strange indeed that, while waiting for the report of the Marathe committee on relief to capital-intensive industries faced by escalations in costs, the Finance minister should have chosen to add to the resources difficulties of an industry which is an obvious candidate for that relief.

Finance ministers seem to have an itch to go down in history as architects of new fiscal concepts. There may be exceptions but Mr Subramaniam obviously is not to be included among them. Since most Finance ministers are practical men, they are seldom themselves willing to cerebrate on the astral plane where new fiscal concepts are supposed to originate. The result is what they propose as new concepts usually are really adopted children. Thus the late T.T. Krishnamachari pulled out the expenditure tax from the Kaldorian hat. Mr Subramaniam has now trotted the Bhoothalingam recipe for general commodity taxation but after emasculating it.

Value added tax

Mr Bhoothalingam's idea was that specific excise duties, the tribe of which kept increasing like Abou Ben Adhem, could conveniently be replaced by a general commodity taxation. The scheme of VAT operating in the European Economic Community is the kind of thing to which Mr Bhoothalingam's proposition may be said to have some family likeness. What Mr Subramaniam has called "a new concept in central excise taxation", however, is to introduce a new item in the Central Excise Tariff Schedule which, with a few exceptions, will cover all goods produced for sale or other commercial purposes not elsewhere specified in the Schedule.

Goods covered under this item will be chargeable to nominal duty at the rate of one per cent ad valorem. Mr Subramaniam has made it clear that he has not proposed this new excise exercise as the beginning of a process of dispensing with specific excise duties. It cannot therefore be really regarded as any significant intellectual contribution to reforming or restructuring central excise taxation. It is merely an improvisation for earning a little more central excise revenue without going through the more exacting processes of identifying new items for inclusion in the excise duty coverage of specific commodities. Its immediate justification is that it is expected to yield a revenue of Rs 24 crores per annum and it may be expected that in future years what Mr Subramaniam has now described as "a nominal duty" will gradually cease to be nominal.

I do not propose to enter into any debate over the inflationary effects of the new excise duties. It had been our experience in the past that increases in these duties, where essential consumer goods or other goods in wide use were concerned, had always led to permanent increases in prices which had generally tended to be more than in proportion to the increases in the duties themselves. I see no reason to expect that the developments this time are going to be different. My concern therefore is with the basic question relating to the total impact of the fiscal proposals, both direct and indirect, on the level of economic activity in the country in the coming months. I believe that the positive elements in the direct tax proposals will be of some value, but will not be sufficient to make a material difference to the saving, investment or production functions of the economy in the months ahead. As for the central excise duties, they could conceivably accentuate the stresses and strains experienced by so of the major industries in the econo and it is possible that they would c tribute to some more diminution in worth of the consumer rupee.

The basic economic approach or po projected in the budget is that monet discipline or perhaps monetary regim tation is to continue in its existing sev form for some time to come while higher level of government expendit is to be relied upon to take care of t liquidity needs of some of the sectors the economy to a certain extent. I won how many of us would subscribe to feeling that this would prove to b successful prescription for the twin e of inflation and decelerating econor growth which are playing havoc with country's economic stability or its ho of economic progress.

Heir-apparent to this throne.
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Direct taxes : further scope for relief ?

S. P. Chopra

IMMEDIATELY AFTER independence, the tax evenue of the government of India (inluding the share of the states) was almost equally divided between direct and indirect taxes. This was considered to be an equitable distribution of the tax burden. But as years wore on, the percentage of direct taxes steadily decreased. In 1950-51, the share of direct taxes was 43.3 per cent, slightly less than half of the total tax revenue. Twenty-five years later, the budget for 1975-76 found the share of the direct taxes at 26.4 per cent only (see Table I). Looking at these figures, it would be unwise to jump to the conclusion that the distribution of tax burden between direct and indirect taxes had become inequitable Since most of the indirect taxes were levied on the luxuries of life which, in general, people in the higher income groups could afford, the burden of the indirect and direct taxes in this country during the past quarter century had fallen increasingly on a small group of consumers who paid the bulk of these taxes.

Saturation point

Even though the share of direct taxes in the total tax revenue at present was about one fourth, yet in the yield of these taxes the saturation point had been reached. In fact, because of the excessive direct tax burdens, new evils such as black money had raised their heads in the economy. Committee after committee had come to the conclusion that there was case for reduction in ditect taxes and not for any further increase. As the yield from direct taxes was not as elastic as was the case with indirect taxes, this trend was likely to continue in the coming years as well.

The budget proposals for 1975-76 in respect of direct taxes clearly indicated that there was not much room for further taxation; in fact, there was need for relief. The concessions which the Finance minister thought were urgently required would result in a net reduction of nine crores of rupees under income tax in 1975-76. The budget also levied additional taxes equivalent to Rs 10.50 crores on the corporate tax under the direct taxes; there was thus marginal additional impost of Rs 1.50 crores.

TABLE I

Tax Revenue (inculding the Share of the States)

(Rs crores)

	1950-51	1975-76 (Budget)
Direct taxes	175.23 (43.3)	1804.46 (26.4)
Indirect taxes	229.31 (56.7)	5034.96 (73.6)
Total taxes	404.54 (100.0)	6839.42 (100.0)

There was, however, genuine disappointment in some sections of society with the budget for 1975-76 as it was felt that the good work initiated by Mr Y. B. Chavan last year regarding the reduction of the highest marginal rate of taxation from 97.75 per cent to 70.00 per cent had not been carried forward. It was the Wanchoo Committee which had pleaded for a reduction in direct taxes and finding that there was merit in the way the case had been argued, Mr. Chavan had not only lowered the highest marginal rate but had also reduced the tax burden on middle and lower levels of income. Instead of providing further relief as was expected, Mr C. Subramaniam thought that the policy adopted last year needed to be given "a fair trial". Did it follow that the Finance Minister was not fully convinced of the utility of the policy pursued in the preceding year?

Much before the Wanchoo Committee report, the Bhoothlingam report had put in a fervent plea for the raising of the minimum exemption limit to Rs 7,500. The manner in which prices in general had risen within the last two years and the purchasing power of the rupee had dwindled, there was a convincing case for raising the income tax exemption to Rs 10,000 at least. The Finance minister ignored even this sound suggestion put forward by an impartial source. No wonder that salaried classes in the lower income brackets were hard put to under the dual burden of inflation and the high incidence of income tax.

In Table II the individuals assessed to income tax in 1971-72 are listed according to the range of total income assessed. It will be seen that the number of assesses with income below Rs 7501 in 1971-72 was 8,33,212 or 44.23 per cent of the total. The income tax payable by these assessees as at Rs 12.81 crores was 3.6 per cent of the total. If the expenditure for processing these cases were taken into account, the net loss to the exchequer by raising the exemption limit to Rs 7,500 will not be found to be significant.

In regard to long-term savings through provident funds and life insurance, the budget proposals had enhanced the quantum of concession available hitherto. Deductions in this regard will equal Rs 4,000 of the qualifying savings. Savings of the order of Rs 6,000 over and above the exemption limit of Rs 4,000 will enjoy 50 per cent tax holiday. Savings above the Rs 10,000 level will enjoy a deduction of 40 per cent only. This is indeed a great improvement over the concessions available hitherto as shown in the Table II below:

TABLE II

Deduction in respect of Long-term Investment

	Assessment year* 1975-76	Assessment year 1976-77
First Rs 2,000	100%	100%
Next 2,000	50%	100%
Next 1,000	50%	50%
Next 5,000	40%	50%
Balance	40%	40%

*Applicable since the assessment year 1974-75.

The above-mentioned increased deductions allowed in respect of long-term savings will however need to be seen in the context of the various other deductions which are available currently, in particular to the salaried classes. The concept of standard deduction elaborated in the last year's budget went a long way in providing relief to this group of assessees.

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cases where the salary exceeded Rs ,000, the standard deduction was put 20 per cent i.e. Rs 2,000. For salary ove this level, the deduction allowed as 10 per cent with the ceiling at Rs 500.

This new concept of making ex- enditure incidental to employment as a unction of the salary drawn was indeed great relief and was instrumental in educing the tax incidence. On top of nat, the investors in the salaried classes vill continue to enjoy exemption on nterest and dividend receipts up to Rs ,000. (This concession is however avai- able to all assessees). All these conces- ions may bring relief to the thrifty among he salaried groups. With the exemption imit at Rs 6,000, the standard deduction t Rs 3,500, the deduction in respect of lividends and interest at Rs 3,000 and the 00 per cent relief in long-term savings at Rs 4,000, the benefit to the savers among he salaried groups may work out to be ubstantial, though it may be hard to ocate many assessees who will be in a position to get full relief in respect of all these concessions. One thing which could be safely put down about this budget was that it was saving-oriented irrespective of the fact whether the salaried classes were in a position to save or not, in view of the crippling blow given by rising prices in the past two years.

Development rebate

Four years ago, the then Finance minister, Mr Y. B. Chavan, had stated in his budget speech that the government would withdraw the concession of development rebate for ships acquired and plants and machinery installed after May 31, 1974. Last year, this concession was extended by a year and the development rebate was made admissible in respect of ships which were ordered before December 1, 1973 if they were acquired before June 1, 1975. Because there had been a further delay in the acquisition of ships ordered till the end of 1973, the Finance minister, Mr C. Subramaniam, had agreed to extend the date of acquisition to January 1, 1977. This was indeed a marginal concession designed to assist the purchasers of ships. The major point to be noted was that with this, the era of development rebate in this country would come to end. The accelerated growth of priority industries was due not a little to the provision of development rebate during the past two decades. It still remains to be seen how far the replacement of the development rebate by an initial depreciation allowance of 20 per cent of the cost of machinery and plant installed in selected industries would fill the void.

The development rebate on plant and machinery was provided in 1954. It was stipulated that all plant and equipment installed after March 31, 1954 and used wholly for the purpose of taxpayer's business was entitled to this concession. The rebate was as high as 35 per cent of the actual cost in respect of plant and machinery for priority industries; the non-priority industries were entitled to only 20 per cent of the cost of plant and machinery. The percentage for ships was as high as 40. It needs to be underlined that the development rebate was permissi-

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ble in addition to the normal depreciation under which full cost was deductible.

However, the enterprise enjoying the benefit of development rebate was required to set apart 75 per cent of the value of the rebate into a special reserve fund to be used for business purposes. There was also restriction on the transfer of the property enjoying the development rebate during the first 10 years in order to curb the abuse of the facility.

Whereas the development rebate entitled a unit to a tax-free recovery of an amount equal to 120-140 per cent of the cost of the asset, it also amounted to a substantial reduction in profits. However, this short-term disadvantage was considerably eclipsed by the advantage flowing from the mounting reserves built up under this head. Also, that the abolition of development rebate would result in an increase in the tax burden of the corporate sector was an undisputed fact.

Inconclusive evidence

The decision to do away with the development rebate was based on the recommendations of the Wanchoo and Bhoothalingam committees. While Mr Bhoothalingam was worried that the development rebate would create a tendency to use capital a little too liberally, even wastefully, the Wanchoo committee was convinced that development rebate had outlived its utility. While both these committees were in favour of scrapping the development rebate, the evidence produced by them was not conclusive. As stated by the present writer in the Budget Number of last year (page 412), this was not the time to withdraw this concession which had proven its worth in hastening the pace of industrialisation. The argument ran as follows:

"It may be stated here that development rebate in this country was introduced consequent upon the recommendation of the Taxation Enquiry Committee which had opined that the initial and additional depreciation allowances were not adequate to meet the replacement requirements of certain industries. The depreciation allowance at best replaces the original capital invested in the plant and machinery, the experience of the last two decades has shown that it is hardly adequate to replace the equipment for two reasons. First, the cost of machinery and equipment continues to rise year after year. Second, the technological breakthrough in all the major sectors of industry involves replacement of improved and modernised machinery. Both these factors tend to increase the cost of replacement several-fold for which the depreciation allowance is highly inadequate.

"The development rebate facilitated each industrial unit to build up its reserves from income generated by it and could ultimately be used to meet the replacement cost of fixed assets. It has hitherto been used not only as a corrective factor for the rise in prices of plant and machinery but also for stimulating the inflow of capital for industrial expansion. Initially it had been allowed at the flat rate of 25 per cent for all new plant and machinery but later this concession was made more liberal for priority industries. In the case of the shipping industry, it was raised to 40 per cent.

"The charge that development rebate allows wasteful use of capital has not been proved. In fact some studies made recently have demonstrated that it is neutral between techniques of different capital intensities. The truth of the matter is that this is hardly the time to withdraw this concession which has proven its worth in the past and is thought to be vitally necessary not only for the expansion of priority industries but also such traditional industries as textiles, sugar, paper and cement wherein grave shortages have already emerged with the exception of sugar.

"Again, a study of the balance sheets of 701 companies made recently by the Reserve Bank of India has shown th gross asset formation has receiv stimulus in recent years due to the de lopment rebate. It is feared that t withdrawal of development rebate wou result in a fall in the rates of growth capital and assets which would ultima ly slow down the pace of expansion industry."

Tax holiday

At present, the Income-tax Act pr vides for a tax holiday equivalent tc per cent per annum of the capital e ployed in an industrial enterprise. Th amount is deducted from the profit wh computing the tax incidence. This co cession is available in respect of indu trial undertakings going into producti before April 1, 1976 and also for shi which go into operation before this dat This concession is available to all hote irrespective of the date by which th start functioning.

Reacting sharply to this preferenti treatment meted out to hotels. t Finance minister extended this benefit f another five years up to April 1, 198 so as to cover industrial undertakin ships and hotels. "I find no justificatio for giving this preferential treatment approved hotels over industrial unde takings and ships", said the Finan minister, Mr C. Subramaniam. This w indeed a welcome gesture as it accorde equal facility to all—hotels, industri undertakings and ships. But the Finan minister brought forth another chang While the quantum of tax holiday pr fits in the case of companies was raise from 6 per cent to 7.5 per cent per annu

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Eastern Economist 30 Years Ago

MAR. 9, 1945

At the present time, when the cessation of hostilities in the European theatre of war may be said to be in sight, the export trade interests in this country are naturally exercised over the immediate post-war prospects. While the war has brought in its train a measure of dislocation and loss of foreign markets, which is perhaps inevitable, there is no denying that an unimaginative export policy and a defective system of export control on the part of the government have combined to impose avoidable hardships on the trading community and hamper constructive developments. Some small gains, no doubt, have been secured in a fe directions and some of our manufactures ha found a market in Australia, South Africa and th Middle East. But the permanance of even the few gains depend on the government taking energetic steps to assist Indian industries in mai taining and developing their position in the foreig markets. It is for this reason that the Feder tion of Indian Chambers of Commerce an Industry have, in their recent annual session, urge the government to take up without delay suc steps as may be necessary in this matter.

of the capital employed, dividends paid to shareholders out of tax holiday profits ceased to be exempt from tax as hitherto. This decision was taken largely for administrative reasons.

A school of thought in this country believed that tax incentives were not relevant to investment decisions and that other considerations such as the size and nearness of the market, availability of raw materials, skilled as well as unskilled labour, power, communciations etc. exerted more influence in the setting up of an industrial unit than the tax concessions give by the government. Following this line of argument, it was very often suggested that both the tax holiday and the development rebate were of secondary importance. There was no doubt that the factors listed above had a large bearing on the location of an industrial unit at a certain place but in working out the projected profit-and-loss accounts of the undertaking, the tax incentives did play an important part. If these incentives were not there, then many an industrial unit might not have been a feasible proposition. The tax holiday which was made available for the initial five years was of considerable use to a new enterprise which was having teething troubles. It might take time to strengthen its position in the market. The assistance provided by the government thus came in handy.

A decision to abolish the tax incentives was welcome provided the rates of taxation were lowered. Among the elements which constituted the "climate for investment", the incidence of tax was a potent factor. A lowering of the tax rate was likely to widen the tax base and result in substantial increase in economic activity leading to further inflation in tax revenue.

At the end of 1974, feverish activity by companies for mobilising deposits from the public was witnessed in all the metropolitan centres. These companies offered high interest rate ranging from 10 to 15 per cent for one to three years. Over the past few years, these companies had found these public deposits as a very handy form of finance. As the interest rates charged by the banks have been high, the companies have found it profitable to raise money from the public at comparatively cheaper rates. However, some of these companies do not have a good record in regard to honouring their commitments. That is wh recently a gazette notification gave detail regarding the rules governing compan deposits. Even within the framework o these rules, many of the leading companies will no doubt continue to mobilis funds from the public.

The Finance minister thought it advisable to raise some money by levying a tax on deposits mobilised by non-financial non-banking companies from the public. He was also keen to ensur that the monetary policy of the government was not vitiated by unrestricte growth of deposits in the non-banking sector. The budget proposals therefore provided that 15 per cent of the interest paid by non-banking, non-financial companies on deposits received from the public will not be allowed in their taxable income. There is no doubt that this is a fresh levy on deposits mobilised by banks but it is not likely to become a deterrent in obtaining deposits from the public. The companies are currently being called upon to pay by the banks as much as 15 to 17 per cent on advances while they offer anywhere between 10 to 15 per cent on deposits. Hence the fresh levy is likely to be easily absorbed by these companies.

TABLE III

Classification of Income-tax Payable by Individuals : 1971-72

Range of total income assessed Rs			No of assessees	Income assessed Rs (000)	Income-tax (including super tax Rs (000)	Surcharge Rs (000)	Total Rs (000)
	Below	4,000	4902	90,05	5,26	37	5,63
4,001	,,	5,000	195104	85,83,13	1,04,60	9,47	1,14,07
5,001	,,	7,500	633206	395,95,42	10,60,70	1,00.37	11,61,07
7,501	,,	10,000	312097	270,22,50	14,53,11	1,89,55	15,92,66
10,001	,,	12,500	220165	245,89,96	16,75,41	1,66,73	18,42,14
12,501	,,	15,000	134521	183,80,77	14,03,96	1.39,47	15,43,43
15,001	,,	17,500	88144	143,46,14	12,42,58	1,28,33	13,71,11
17,501	,,	20,000	66639	134,70,22	12,94,10	1,28,33	14,22,43
20,001	,,	25,000	89196	198,60,71	23,04,48	2,42,77	25,47,25
25,001	,,	30.000	43998	119,25,66	19,98.95	2,04,36	22,03,31
30,001	,,	40,000	44,576	152,95,77	35,18,03	3,55,77	38,73,80
40,001	,,	50,000	19290	85,62,34	24,72,33	2,58,04	27,30.37
50,001	,,	60,000	10641	58,03,98	19,03,03	2,02.45	21,05,48
60,001	,,	70,000	5939	38,28,15	13,93,37	1,50.83	31,35,02
70,001	,,	1,00,000	8340	68,78,50	28,18,61	3,16,41	31.35,36
1,00,001	,,	2,00,000	5316	71,05,18	35,15,93	4,89,43	39,55,36
2,00,001	,,	3,00,000	892	21,51,18	11,67,44	1,60.75	13,28.19
3,00,001	,,	4,00,000	327	11,23,34	6,59,83	1.02,89	7,62,72
4,00,001	,,	5,00,000	155	6,86,60	3,97,90	60,77	4,58,67
	Over	5,00,000	320	29,87,48	17,53,01	2,67,79	20,20,80
		Total	1883768	2311,87,08	321,42,63	35,75,08	357.17,71

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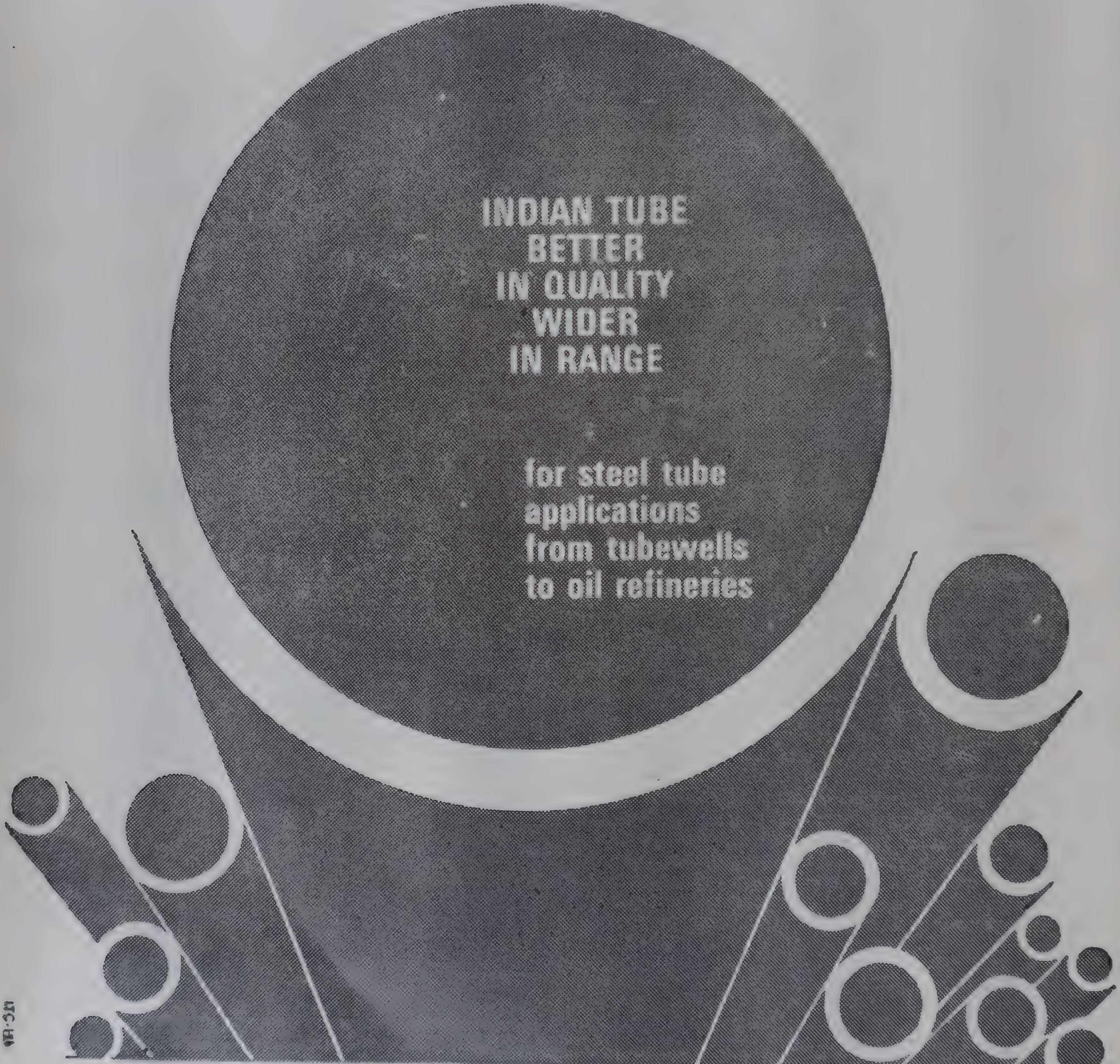

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Indirect taxes : another massive dose

R.C. Ummat

IN LINE with the general practice followed by his predecessors, the union minister for Finance, Mr C. Subramaniam, in his maiden budget exercise for the central government, has taken resort to administering a fairly heavy dose of indirect taxation to the nation in preference to the direct taxation dose. Of the Rs 287.77 crores net yield expected next year from his budgetary proposals, which were presented by him to parliament on February 28, as much as Rs 284.52 crores revenue is anticipated to result from indirect taxes —customs and excise duties—and only Rs 1.5 crores from direct taxes—corporation tax, income tax, estate duty, wealth tax, gift tax and interest tax. The balance Rs 1.75 crores will accrue on account of the central sales tax meant for the states and union territories. The benefit to the union territories comes to the central exchequer as their revenue forms part of the Consolidated Fund of India. As the central sales tax too is meant to be passed on to consumers, the proposed indirect taxes, thus, should be yielding next year as much as Rs 286.27 crores out of the total revenue of Rs 287.77 crores expected from the new taxation proposals.

Additional yield

It, however, needs to be mentioned that some of the direct taxation proposals made by Mr Subramaniam's immediate predecessor, Mr Y.B. Chavan, which were not meant to yield any additional revenue during the current financial year, would be yielding nearly Rs 14.5 crores next year. These included withdrawal of some exemptions in assessing net wealth of assessees for the purposes of the Wealth-tax Act and stepping up of the rate of surtax from 30 to 40 per cent in respect of chargeable profits of companies exceeding 15 per cent of capital.

Even if account is taken of this fact, the position regarding an overwhelming accent on indirect taxes in next year's effort at resources mobilisation does not alter. The net fresh taxation burden on the nation in 1975-76 will be Rs 302.27 crores —Rs 286.27 crores on account of indirect taxes and Rs 16 crores on account of direct taxes.

The greater reliance of union Finance ministers on indirect taxation in their endeavours at resources mobilisation, of course, has not been unwarranted. In a developing country such as ours, the position cannot be otherwise if mobilisation of resources has to be on a massive scale for fostering economic growth. Direct taxes have their limitations, whereas indirect taxes can yield much more wholesome results as the economy grows. In fact, there have been only a very few occasions in the second half of the 1950s and in the early 1960s when the union Finance ministers, Mr T.T. Krishnamachari and Mr Morarji Desai, administered fairly large doses of direct taxation.

Sea-change effected

As a result of the tax efforts of the union Finance ministers since 1950-51, the pattern of yields from the various sources to the central revenues has undergone a sea-change. In 1950-51, when the total net revenue of the central government was of the order of Rs 405.86 crores, the net tax revenue amounted to Rs 357 crores and the non-tax revenue to Rs 48.86 crores. In the net tax revenue, direct taxes accounted for as much as Rs 129.51 crores and indirect taxes for Rs 227.49 crores. The share of non-tax revenue in the total net revenue of the central government then worked out to about 12 per cent and that of tax revenue to approximately 88 per cent. Direct taxes accounted for nearly 36.3 per cent of the net tax revenue and indirect taxes for the remainder 63.7 per cent.

By 1955-56, the share of non-tax revenue in the net receipts of the central government improved to approximately 13.7 per cent. Taxes, thus, contributed nearly 86.3 per cent of the total net revenue. The share of direct taxes in the net tax receipts dwindled to 27.5 per cent and that of indirect taxes grew to 72.5 per cent. The total net revenue had grown by that year to Rs 481.19 crores. The non-tax sources yielded Rs 69.72 crores and taxation Rs 411.47 crores. The yield from indirect taxes was Rs 295.69 crores and that from direct taxes Rs 115.78 crores.

By 1960-61, the total net revenue of the centre had grown to Rs 877.46 crores. The contribution of non-tax sources to this was Rs 147.32 crores—approximately 16.8 per cent—and that of taxation Rs 730.4 crores—83.2 per cent. The share of indirect taxes in the net tax revenue was nearly 72 per cent and that of direct taxes approximately 28 per cent. As mentioned earlier, Mr T. T. Krishnamachari had made shortly after 1955-56 a major effort at putting up direct taxes. This was the reason for a slight improvement in percentage terms in the contribution of direct taxes to the net tax revenue towards the close of the 1960s.

The five years to 1965-66 saw some further improvement in the share of non-tax revenue in the total net revenue. Out of the total net revenue—Rs 2,320.39 crores—in 1965-66, non-tax revenue accounted for Rs 535.77 crores—slightly over 23 per cent. The net tax revenue in that year aggregated to Rs 1,784.62 crores. It was shared by the direct and indirect taxes in the ratio of 26.6 and 73.4 per cent. Thus, the indirect taxes again started yielding a higher percentage of the net tax revenue than the direct taxes, even though Mr Morarji Desai made a strenuous effort after the Chinese aggression to step up direct taxes.

Increased contribution

The next five years to 1970-71 saw some further growth in the yield of non-tax sources to the total net revenue—to 26.5 per cent. The share of net tax revenue in the total net revenue declined to 73.5 per cent. The contribution of direct taxes to the net tax revenue during this period fell to just about 21 per cent. The indirect tax started yielding nearly 79 per cent of the net revenue. The total net revenue of the central government in 1970-71 was 3,341.86 crores—contributed to the tune of Rs 890.50 crores by non-tax sources and to the extent of Rs 2,451.36 crores by taxation. Direct taxes yielded Rs 511.46 crores and indirect tax Rs 1,939.9 crores.

Next year's estimates reveal that although there will be a significaat improvement in the contribution of the non-tax sources to the total net revenue of the centre, its relative importance will go down. The non-tax sources will yield Rs 1,656.45 crores out of the total of Rs 7,114.01 crores—23.3 per cent. The contributions by direct and indirect tax—Rs 1,150.05 crores and Rs 2,920.76 crores—to the net tax revenue (Rs 5,457.56 crores), of course, will be approximately in the same proportion as in 1970-71.

The above makes it clear that during the past 25 years, although non-tax revenue has assumed significantly higher importance, the reliance on indirect taxes has been to a much greater extent in the mobilisation of additional resources for the central exchequer.

Among indirect taxes, the union Finance ministers have been relying more and more on excise levies than on customs duties. A good deal of revenue from customs duties has flowed from the countervailing levies necessitated by increases in excise imposts. Since 1950-51, whereas the revenue from customs duties has gone up from Rs 157.15 crores to Rs 1,300.00 crores (revised estimate for the current financial year), that from excise levies has increased from a bare Rs 67.54 crores to as much as Rs 2,481.80 crores. Next year's estimates put the yields from the two levies at Rs 1,284.05 crores and Rs 2,920.76 crores, respectively. Emphasis on excise duties as a major source of revenue came to be placed immediately after the launching of the first five-year Plan in 1950-51 with the result that the revenue from this source soon overtook the realisations not only from customs levies but also from all other imposts.

Another interesting fact that emerges from an analysis of the revenue receipts of the central government during the past two and half decades is that whereas the revenue from taxes on income and expenditure, on property and capital transactions and from customs duties has been going up steadily, showing occasional jumps when in some years these imposts were put up quite steeply, tha from excise duties has been at least doubling in every five-year period. Th revenue from excise duties rose from R 67.54 crores in 1950-51 to Rs 128.6 crores in 1955-56, Rs 341.25 crores i 1960-61, Rs 752.00 crores in 1965-66 and Rs 1,368.50 crores in 1970-71. Th revised estimates for the current financial year place this revenue at Rs 2,481.8 crores. Next year it is expected to g up to as much as Rs 2,920.76 crores.

Among the indirect taxes, proportionately greater reliance on excise duties has not been surprising. With the development of the economy, custom revenue does not grow as fast as revenue from excise duties. The other elastic source of revenue—imposts on land (a direct-tax), sales tax, etc.—fall in the jurisdiction of the state governments.

In confirmity with the general tren in indirect taxes during the last 25 years —which was interrupted twice only, for the first time in the first half of the 1960s and then in 1973-74 when customs levies

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vere put up to yield more additional evenue than excise duties—Mr Subramaniam has relied overwhelmingly on excise duties to raise additional revenue next year. Of the net Rs 287.77 crores revenue expected to be realised from the new taxation proposals, Rs 238.85 crores will accure to the centre and the remainder to the state governments. The central revenue will benefit to the extent of Rs 194.81 crores from the changes in excise duties, Rs. 34.05 crores from customs levies and Rs 2.26 crores from adjustments in direct taxes.

So far as customs duties are concerned, Rs 9.55 crores additional revenue is anticipated to accrue on account of the countervailing import levies necessitated by increases in excise imposts on motor spirit, furnace oil, synthetic yarn and some other items. The balance Rs 24.50 crores will result from the stepping of the countervailing duties on copper and copper alloys (by Rs 3,500 per tonne) and zinc (by Rs 2,125 per tonne). No change, of course, has been effected in the customs tariff rates. The auxiliary duties of customs levied under the Finance Act of 1974 too have not been tempered with. They are being continued undisturbed up to June 30, 1976.

The countervailing duties on motor spirit, furnace oil, synthetic yarn and some other items have been raised by Mr Subramaniam in the normal course as a sequel to enhancing the excise duties on them. The same, however, is not the case with zinc and copper and copper alloys. The countervailing duties on them have been stepped up in view of the decline in their international prices during the recent past. As a result of the above step, the Minerals and Metals Trading Corporation, through which imports of non-ferrous metals are being effected, should be able to offload without much loss its unduly large stocks of copper and zinc worth about Rs 61 crores, which have got piled up owing to the recent recession in the two markets. The domestic producers of the two metals too should be able to realise somewhat better prices for their products. But this will not help at least Hindustan Copper to wipe off its loss. Apart from the high cost of domestic production resulting from the smelting of lower grades of copper ore than in the major copper exporting countries, the major reason for the loss to Hindustan Copper is the high excise duty its production has been attracting since last year.

The excise duty on copper was raised last year from Rs 2,625 to as much as Rs 7,000 per tonne on the ground that the international price was soaring. With this high rate of excise duty, Hindustan Copper will still be at a disadvantage even though the duty on copper imports has been raised by Rs 3,500 per tonne. The increase in the countervailing duty on copper imports does not offset the increase in excise duty effected last year which was of the order of Rs 4,375 per tonne. Zinc producers, however, should stand to gain significantly, for as against Rs 1,725 per tonne increase—to Rs 2,625—in excise duty on this metal in the last year's budget, the countervailing customs duty on it has been stepped by Mr Subramaniam by as much as Rs 2,125. The domestic producers of copper and zinc are allowed to charge the same prices as the Minerals and Metals Trading Corporation. The sale prices of MMTC are based on imported prices plus the customs duties and a small margin of profit in lieu of service charge. The fall in the international prices of the two metals is said to have been very pronounced. There is, thus, a case for a downward revision of the excise levy on copper.

As regards excise duties, substantial additional revenue is envisaged by Mr Subramaniam from the increases effected

TABLE I

Revenue of Union Government

(Rs crores)

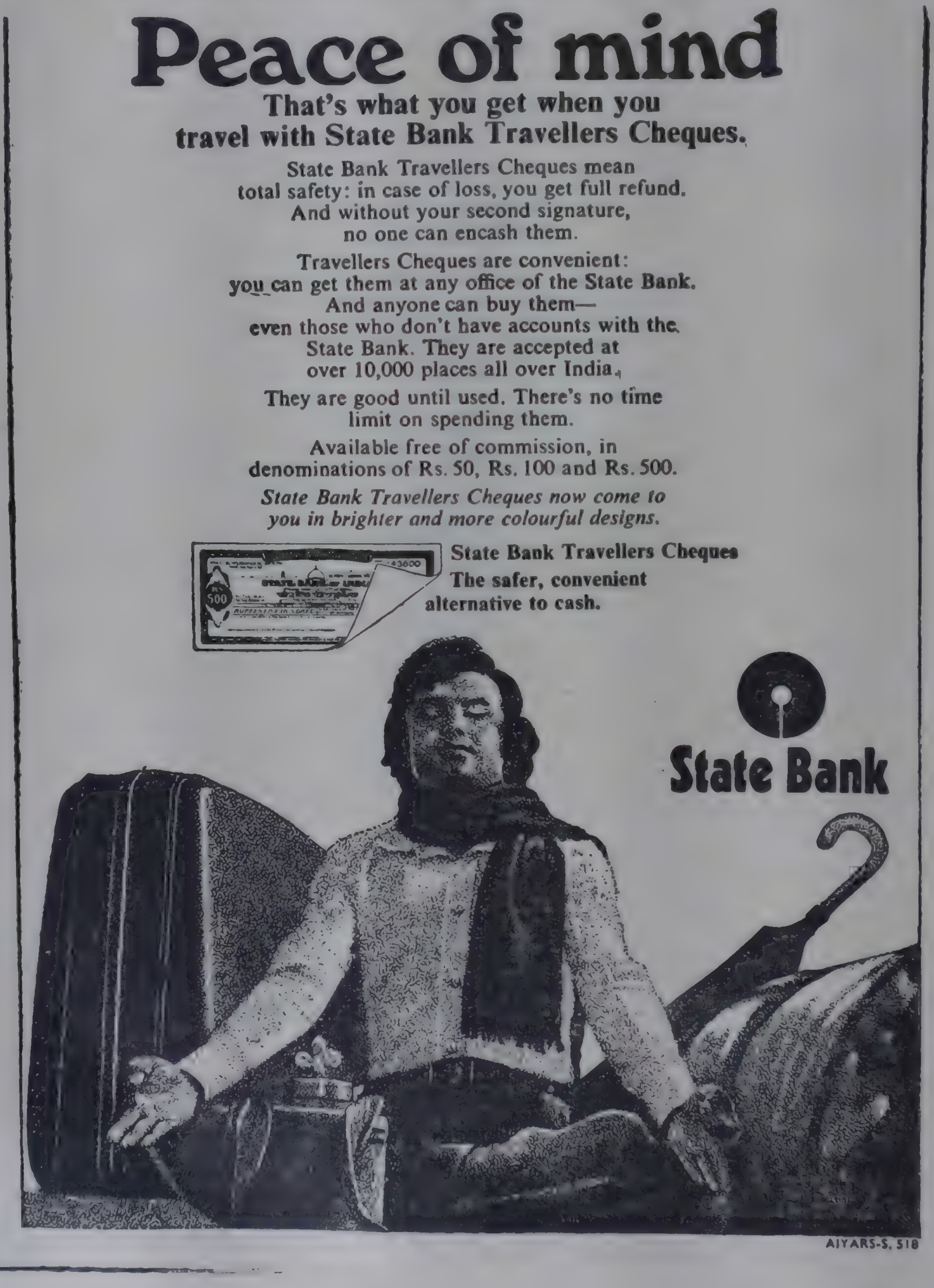
	1950-51	1955-56	1960-61	1965-66	1970-71	1974-75		1975-76
						Budget	Revised	Budget
Total Net Tax Revenue of Union Government	357.00	411.47	730.14	1,784.62	2,451.36	4,299.62	4,903.53	5,457.56
Of Which:								
Taxes on Income and Expenditure	125.70	113.23	191.97	453.72	484.60	878.74	972.68	1,088.13
Taxes on Property and Capital Transactions	3.81	2.55	13.49	19.83	26.86	56.27	58.73	61.92
Taxes on Commodities and Services	227.49	295.69	524.68	1,311.07	1,939.90	3,364.61	3.872.12	4,307.51
(i) Customs	157.15	166.70	170.03	538.97	524.02	937.05	1.300.00	1,284.05
(ii) Union Excise Duties	67.54	121.68	341.25	752.00	1,368.50	2,345.71	2.481.80	2,920.76
Non-tax Revenue	48.86	69.72	147.32	535.77	890.50	1,340.36	1,581.15	1,656.45
Total Net Revenue of Union Government	405.86	481.19	877.46	2,320.39	3,341.86	5,639.98	6.484.68	7,114.01
States' Share in Union Taxation*		73.59	165.38	276.05	755.44	1,197.99	1,224.41	1,381.86
Of which:								
Excises, including additional levy in lieu of sales tax, account for	—	16.57	75.01	145.92	390.05	698.10	702.54	830.15

* The union government's revenue has been deducted; so also for the total taxation effort of the union government.

by him in the levies on free-sale sugar and khandsari, cement, yarns and fabrics (cotton as well as rayon and synthetic), aluminium, tobacco, motor spirit and furnace oil and some categories of paper and board. Several other items, including dystuffs, toilet preparations, glass and porcelain ware, electric fans and air-conditioners (including their parts), electric wires and cables, etc., too are expected to yield sizeable additional revenue, but the increase in the incidence of excise levies on them by and large has been kept moderate. The other items subjected to increased burden on a modest scale include tea, tyre flap, safes and strong boxes, gramaphones and cinematograph films. A new levy at the rate of 15 per cent ad valorem has been proposed on graphite electrodes and anodes.

One per cent excise duty has also been proposed, with a few exceptions, to cover all goods produced for sale or other commercial purposes not elsewhere specified in the Central Excise Tariff Schedule. The exemptions granted are for the products of factories not employing more than 49 workers in case power is used and not more than 99 workers if power is not used. Exemption has also been granted from this levy on intermediate products and component parts produced in a factory and also consumed there itself for the manufacture of finished goods.

The excise burden on free-sale sugar (the duty on levy sugar meant for domestic distribution through fair-price shops) and cement has been raised quite steeply to yield Rs 30.25 crores and Rs 15.95 crores, respectively, primarily to curb consumption within the country and to throw up larger surpluses for export. The khandsari units will hereafter work under the normal central excise procedure and pay a duty at 17.5 per cent ad valorem to yield Rs 19.60 crores. The current compounded levy scheme on this item has been withdrawn. This measure



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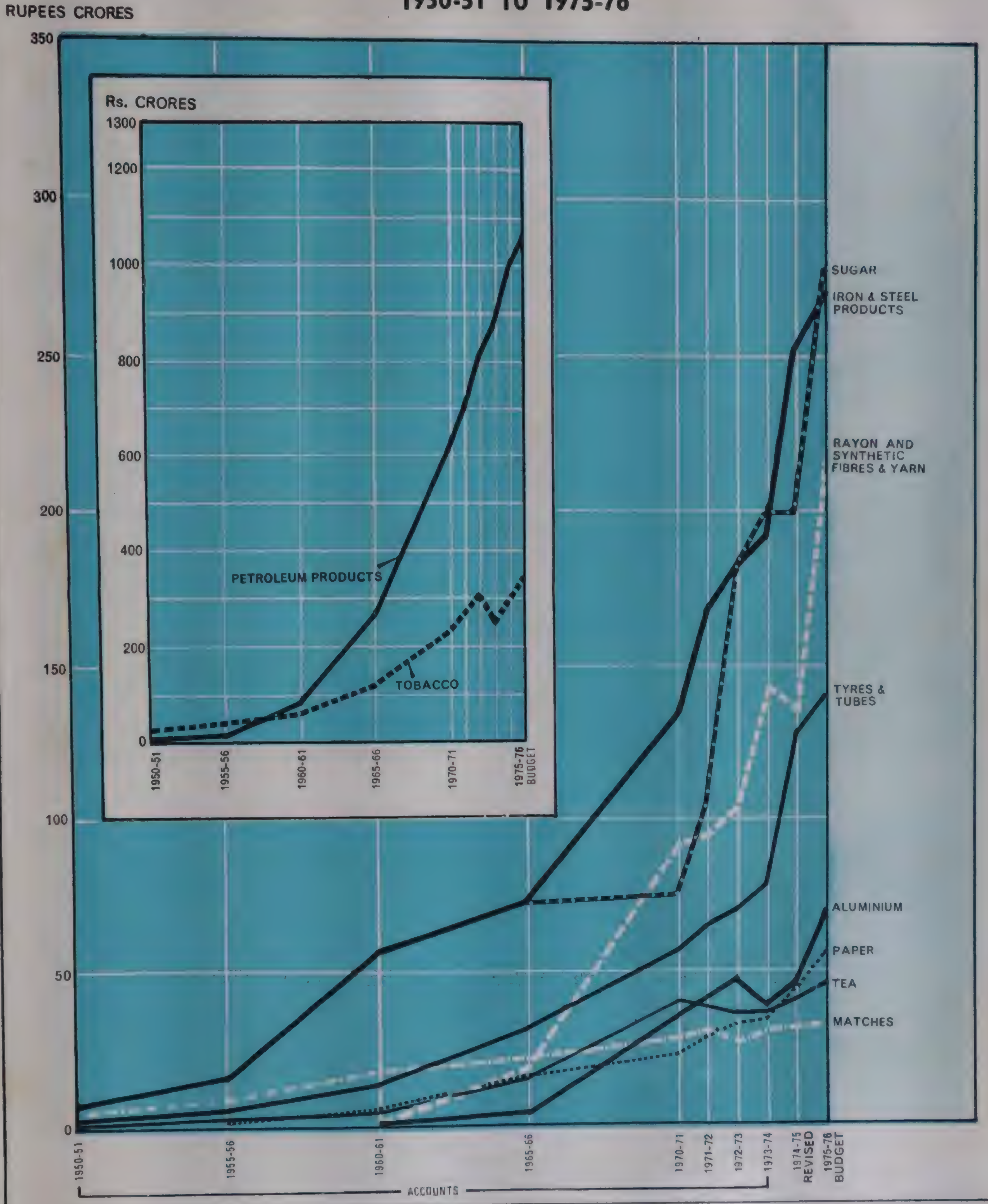
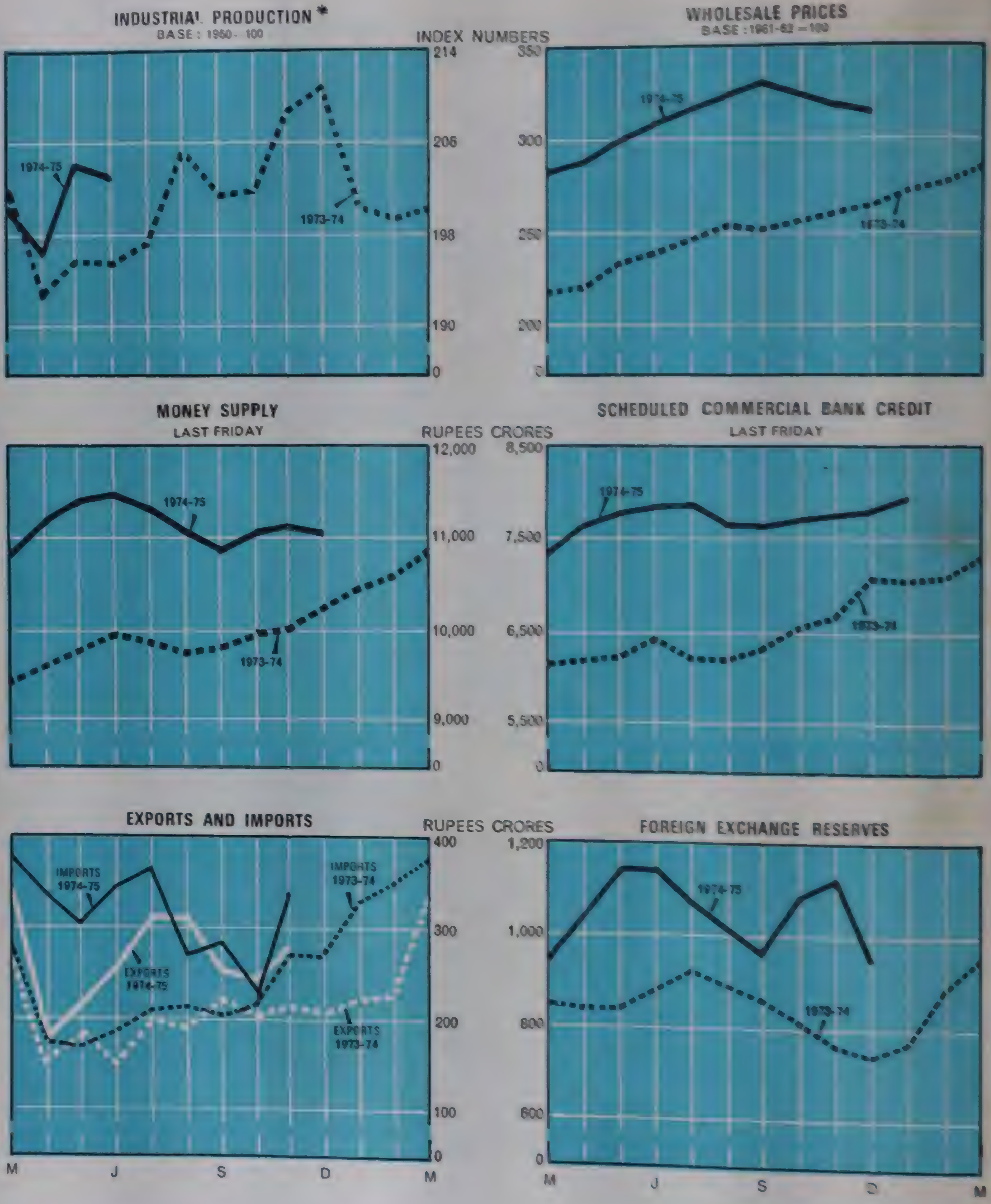
EXCISE LEVY ON SELECTED COMMODITIES
1950-51 TO 1975-76



SELECTED ECONOMIC INDICATORS



* Seasonally adjusted

ould help in the sugar manufacturing its attracting increased supplies of garcane so as to increase their output the maximum. The cane crop being uite satisfactory, it is expected that as result of the above levy, sugar output uring the current crushing season may o up to 4.3-4.4 million tonnes. The roduction trend so far has been quite ncouraging. Up to January-end, nearly hree lakh tonnes more sugar had been roduced in comparison with the last ear's output. Sugar and cement exports ndoubtedly are attractive propositions t present due to high international rices, even though sugar prices have ended to soften recently. The two commodities, further, are in demand in the vest Asian countries. Larger exports f them should add considerably to our oreign exchange earnings.

Excise levy

Tea and fine and super-fine cloth too fall in this category to some extent, although the primary purpose of raising the excise burden on them is to mobilise additional revenue. The excise levy on all types of tea, of course, has not been raised, even though the increase in the levy is only modest—10 to 15 paise per kg. Teas of zone III have been given some relief as they had been hitherto subjected not only to the highest rate of duty but also their cost of cultivation was high and yields low. Excise levy has been raised on the teas of the other four zones—I, II, IV and V. Slightly larger surpluses of tea should become available for export as a result of the enhanced burden of the excise duty, though it will, after raising the ceiling limit on the quantum of rebate admissible for exported teas under the scheme from the existing level of 75 paise to 85 paise per kg yield only an additional revenue of Rs 3.40 crores. The raising of the ceiling for rebate admissible to exported teas apparently was necessary lest exports should suffer from competition from the other tea producing countries.

In the case of fine and superfine cloth, the excise burden has been increased not only through raising the duty at the yarn stage but also by fixing a uniform rate of compounded levy of Rs 200 per loom per year for units where not more than 49 powerlooms are installed and by fixing quantitative limits upto which fents and rags of cotton fabrics can be cleared at concessional rates. Fents and rags cleared in excess of the prescribed limit will be required to pay the higher duty. The idea is to discourage misuse of the concession. Although the world trade in textiles had suffered a setback a few moths ago, it is said to have picked up again. Larger exports of fine and superfine cloth should result from slightly higher exportable surpluses becoming available owing to the above changes in excise levies. The net addition to the excise burden on cotton yarn and fabrics has been estimated at slightly over Rs 17 crores in the next year. Handloom products are not to be affected.

But contrary to expectations, the excise burden has been raised very significantly on rayon and synthetic yarns (including blended yarns) and fabrics. The net increase in revenue from the adjustments made in the excise duties on these yarns and fabrics—the former has been raised quite steeply and the latter scaled down on administrative considerations—has been estimated around Rs 32 crores. The sluggishness in the demand for caprolactum obviously did not warrant additional excise burden on rayon yarn and fabrics. But perhaps revenue considerations were more pressing than the state of the synthetic fibres industry. The textile sector as a whole, indeed, will be making considerably more contribution to the central as well as state exchequers—to the extent of nearly Rs 50 crores.

Tax on motor oil

The increase in the burden of excise duties on motor spirit, though modest around 10 paise per litre, has been effected with the twin objectives of restricting the outgo of foreign exchange on imports of crude oil and raising additional revenue to no insignificant extent—Rs 18 crores. The same is the case with furnance oil, though an additional reason for putting up the excise levy by three paise a litre on this petroleum product is the discouragement of its use in the interest of encouraging the use of the alternative indigenous sources of energy, particularly coal. Significantly enough diesel oil and kerosene have been spared from additional imposts, the former on account of its large use in agriculture and public transport and the latter owing to not hurting the interests of the rural folk who use it for lighting purposes. With the duties on these products having been raised steeply in the last two years, further huke in them was not warranted even otherwise.

Concern for power industry

Of the remaining modifications in excise duties, the most significant apprently is the sharp increase in the levy on commercial grade (CD) aluminium. This duty has virtually been doubled from 40 per cent ad valorem (including the auxiliary duty) to nearly 80 per cent. Mr Subramaniam has justified the enhancement in this levy on the consideration that the output of electrical conductor grade (ECG) aluminium has to be pushed up as it has fallen disproportionately in the recent years compared to that of commercial grade aluminium. In view of the emphasis being put on the development of power in the country, the stress on stepping up the manufacture of ECG aluminium is not unwarranted. But the wide difference between the duties on this type of aluminium and CG aluminium can create a very ticklish position.

As a result of the increase in the duty on CG aluminium, its price should go up very markedly from the present level of about Rs 7,364 per tonne, including basic excise and auxiliary duties, to nearly Rs 10,000 a tonne, as along with the Rs 2,000 per tonne increase in basic duty the auxiliary duty will go up by Rs 200. Further, aluminium prices are expected to be revised upwards by Rs 404 a tonne in the near future (the decision in this regard is understood to have already been taken by the union government). The Bureau of Industrial Costs and Prices is stated to be again looking into the cost structure of the aluminium industry to see whether the claim of the industry for another significant increase in prices on account of higher costs is justified. As the excise levy on ECG aluminium has been maintained, the difference between the price of this type of aluminium and that of CG aluminium, which currently is about 250 per tonne, should grow to at least to Rs 2,500 a tonne. This can be expected to result in some ECG aluminium finding its way unauthorisedly to the open market.

Apart from the above malpractice in the market, the aluminium manufacturing units may also be burdened with undue stocks of CG metal. Since the production of aluminium in the country in the recent past has not been up to the optimum level because of power shortage, much cutback in the production of CG aluminium may not be expected if the power supply position improves, as can be expected with the increased production of coal and the likelihood of the next monsoon being at least normal. The increase in the production of the metal owing to the better availability of power can indeed be in the case of EC grade without bringing down the output of commercial grade, for an increase in overall production will by itself significantly raise the proportion of the output of ECG metal. It remains to be seen how the government will meet the above development in the aluminium market.

Moderate imposts

The enhanced burden of excise levies on such items as cosmetics and toilet preparations, glass and glassware, chinaware and porcelainware, air-conditioners and parts thereof, electrical fans, electric wires and cables, motor vehicle parts, gramophone parts, safes and strong boxes, etc., cannot be objected to any seriously as apart from this burden being moderate, the items do not affect the poorer sections of consumer. The case with paper and board, excluding printing and writing papers, mill boards, straw boards and corrogated boards (on which no additional burden has been imposed) is no different. The sharp increase in their prices during the last two years may not make it possible for the manufacturers to pass on the increased duty to consumers. Significantly enough, prices of some items such as electric fans, on which excise levies have been raised, have not gone up in the market because of lack of adequate demand for them.

In the case of tobacco, although the expected additional revenue next year is fairly large—Rs 26.88 crores—a significant portion of it will accrue from machine-made branded bidis, chewing tobacco sold under brand names and snuff. A major portion, of course, will accrue from cigarette and pipe smokers. The adjustments in the excise levies on the above-mentioned manufactured tobacco items, of course, have been necessitated to some extent by the rationalisation effected in the duty on unmanufactured tobacco in the light of the report of the Tobacco Excise Tariff Committee.

An innovation

The one per cent excise levy proposed on all goods produced for sale or other commercial purposes not elsewhere specified in the Central Excise Tariff Schedule, with a few exceptions, has been proposed primarily to assess the scope for widening the excise net in the coming years. This measure is expected to yield next year only about 34 crores, but this apparently should be a gross underestimate as the impact of this levy is bound to be wide-ranging. Mr Subramaniam has preferred to go in for this levy than the one recommended by Bhoothalingam Committee a few years ago. Mr Bhoothalingam had suggested a levy on the value added by a manufacturing unit. This proposal has not been followed presumably on administrative considerations. But even with all the exemptions granted by Mr Subramaniam from his levy, the administrative task of collecting it is not going to be easy.

Uncovered gap

With the union government having decided to step up next year the outlay on the Plan programmes by 23 per cent, the Finance minister obviously could not have remained content with additional tax proposals impinging on the purses of consumers to a smaller extent than he has done. In fact, the uncovered gap of Rs 225 crores in the next year's budget is large indeed; it can be expected to grow further if the government servants have to be compensated for the rise in prices beyond the level of 272 points consumer prices index up to which they have been granted additional dearness allowance in terms of the recommendations of the third Pay Commission. Deficit financing casts an inequitous burden on the poorer sections of society. By his taxation proposals, Mr Subramaniam has tried to contain the burden on these sections and enhanced it very significantly on the more affluent ones. This fits in the current philosophy of the ruling party, although opinions will differ whether it was at all necessary to raise

TABLE II

Growth in Revenue from Union Excise Duties (including Additional Duties in Lieu of Sales Tax and Cesses) on Some Selected Commodities—1950-51 to 1975-76

(Rs crores)

Commodity	1950-51 (Accounts)	1960-61 (Accounts)	1970-71 (Accounts)	1975-76 (Budget)
Petroleum Products	2.99	101.07	608.18	1111.36
of which: Motor Spirit	2.08	40.46	173.10	403.00
Sugar	6.46	55.10	135.85	275.85
Textiles *	9.26 (30.89)**	65.92	199.71	434.74
Cement	— (2.18)**	18.45	44.07	111.65
Aluminium	—	1.17	34,10	69.00
Tobacco	31.90	59.41	226.90	423.96
Tea	3.36	7.47	39.83	46.40

* Yarn as well as fabrics of all types—cotton, synthetic as well as woollen.

** 1955-56.

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ie Plan outlay next year by as much as 3 per cent. The inflationary impact of he budget appears to be quite significant, ven though the Finance ministry sources ave claimed otherwise. Efforts at conaining the prices spiral apparently hould yield more wholesome results in he long run than trying to accelerate development irrespective of the price rise. If the prices spiral can be contained, it should be possible to achieve better physical results from a given outlay on Plan programmes than would be the case if the rise in prices continues to push up development costs.

In the end, mention may be made of how the burden of excise duties (including additional levies in lieu of sales tax on sugar, tobacco and textiles and cesses on tea, textiles and crude oil) has gone up since 1950-51 on some of the items which have been subjected to a further dose of taxation by Mr Subramaniam. The revenue from the above duties on petroleum products next year is expected to go up to as much as Rs 1111.36 crores, from a bare Rs 2.99 crores in 1950-51. During this period, the domestic output of these products has increased from about 0.45 million tonnes to approximately 20 million tonnes—nearly seven million tonnes from indigenous crude oil and the balance from imported crude. Incidentally, imports of refined petroleum products yield customs revenue to the tune of nearly Rs 100 crores. Thus, the revenue from petroleum products alone has grown within the last two-and-a-half decades by nearly 400 times, whereas the consumption has gone up by about 48 times only.

The case with such other products as sugar, tobacco, textiles, cement and aluminium is not much different, although the growth in revenue from them has not been as disproportionate as from petroleum products. The case of petroleum products has been an exceptional one due to the dire need to contain consumption in the interest of keeping the import bill within our paying capacity. Sugar output, which amounted to 12.65 lakh tonnes in 1950-51, is expected to go up to nearly 43 lakh tonnes during the current crushing season. Thus, whereas production has increased by about 3½ times, the excise revenue from sugar has grown by nearly 40 times—from Rs 6.46 crores to Rs 275.85 crores (budget estimate). The revenue from tobacco by next year similarly would have multiplied by approximately 13 times, while the production would be growing just by about three times. The basic point that emerges from the above is that excise levies in some items have been raised very steeply, especially in the last one decade. Their contribution to the uptrend in prices has been no small. With the present level of excise duties on many items, revenue can be mobilised a great deal only if their production can be expanded expeditiously. This should have a very healthy impact on the prices level as well.

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State finances and plans

Hardev Singh

OF THE eleven states which have already come out with their budgets for 1975-76, as many as five have revealed deficits on revenue account. This does not compare very unfavourably with the previous year when four of these states showed deficits. It may however be observed from Table I that the number of states declaring deficit budgets was much larger in 1973-74; nine out of the above eleven states had a negative balance in that year.

Another significant feature of the state budgets is that the cumulative total increase in the receipts on revenue account during the last three years has not been as spectacular as it has been in the case of the central budget. The revenue receipts have increased gradually over the three years from Rs 3,455 crores to 4,270 crores. During these years, the central budget has jumped from Rs 7,305 crores to Rs 10,158 crores.

Only two of the four southern states—Kerela and Tamil Nadu—have recorded deficits on revenue account during 1975-76, as against deficits for all the four states during 1973-74. Although the increase in the proposed expenditure has been quite sharp in the case of Karnataka and Andhra Pradesh, rising by 21 per cent and 15 per cent, respectively, in one yeat from 1974-75 to 1975-76, both these states have managed to show surpluses. On the other hand, Tamil Nadu, with 11 per cent rise in expenditure during the year, has not been able to avoid going into the red.

Deficits covered

Rajasthan recorded considerable recovery on revenue account during the current financial year: it was able to convert its 1973-74 deficit of Rs 56.73 crores into a surplus of Rs 6.61 crores. Next year's surplus is likely to be Rs 18.94 crores. Bihar's finances also show a similar pattern only with the difference that the deficit in 1973-74 was very small—just Rs 1.42 crores—and the surplus during 1974-75 was Rs 33.85 crores. The surplus during 1975-76 has been estimated at Rs 38.79 crores.

Gujarat has consistently been a surplus state on revenue account, with surplus rising from Rs 7.08 crores in 1973-74 to Rs 30.30 crores in 1974-75 and Rs 27.93 crores (anticipatnd) in 1975-76. Madhya Pradesh is another state which has been showing a surplus—Rs 24.62 crores in 1973-74, Rs 7.64 crores in 1974-75 and Rs 35.09 crores for the nex year.

Orissa, West Bengal and Assam hav succeeded in reducing their deficit during the last three years. From thei respective deficit of Rs 33.98 crores, R 24.76 crores and Rs 22.78 crores i 1973-74, the three states have reache a stage to expect deficits of only R 6.80 crores, Rs 5.36 crores and Rs 6.1 crores in 1975-76.

Taking into account the capital budgets, seven states show an overall defici balance for the next year. This is despite the fact that eight of the above 1 states have come out with additiona taxation proposals. West Bengal, fo instance, is likely to have a nominal surplus of Rs 27 lakhs during 1975-76 afte taking into account the proposed additional taxation expected to yield nearl Rs 12 crores. Mr Sankar Ghose, th state Finance minister, has expressed hi satisfaction by announcing that th financial position of West Bengal ha improved considerably. The new taxation measures proposed include increase in excise duty on liquor, rise in the existing rate of tax for air-conditioned hotels and restaurants, rationalisation of rates of sales tax, especially on luxury goods. an upward revision of stamp duty on transactions above Rs 5,000, a property

TABLE I

State Budgets

(Revenue Account)

(Rs crores)

States	1973-74 (Revised Estimates)			1974-75 (Budget)			1975-76 (Budget)		
	Revenue Receipts	Revenue Expenditure	Surplus	Revenue Receipts	Revenue Expenditure	Surplus	Revenue Receipts	Revenue Expenditure	Surplus
Andhra Pradesh	410.53	415.31	—4.78	441.70	427.61	+14.09	505.37	491.88	+13.49
Bihar	362.85	364.27	—1.42	375.80	341.95	+33.85	422.46	383.67	+38.79
Karnataka	334.00	342.45	—8.45	367.32	362.81	+ 4.51	441.15	439.46	+ 1.69
Madhya Pradesh	363.17	338.55	+24.62	391.33	383.69	+ 7.64	456.34	421.25	+35.09
Orissa	184.42	218.40	—33.98	230.07	231.44	— 1.37	268.10	274.90	— 6.80
Rajasthan	259.00	315.73	—56.73	293.95	287.34	+ 6.61	330 04	311.10	+18.94
Assam	135.67	158.45	—22.78	156.94	165.76	— 8.82	170.29	176.40	— 6.11
Tamil Nadu	468 00	472.84	— 4.84	470.69	483.25	+12.56	501.40	537.50	—36.10
Gujarat	338.11	331.03	+ 7.08	327.34	297.04	+30.30	391.99	364.06	+27.93
West Bengal	388.84	413.60	—24.76	435.56	455.42	—19.84	488.22	493.58	— 5.36
Kerala	209.93	227.08	—17.15	253.40	258.97	— 5.57	295.00	316.00	—21.00
Total	3,454.52	3,597.71	—143.19	3,744.10	3,695.28	+48.82	4,270.36	4,129.80	+140.56

ax on multi-storeyed buildings and restructuring of the slabs of agricultural ncome-tax. The state budget has proposed some relief to the small-scale and ottage industries. New small-scale industries get exempted from sales-tax for three years. Silk worm eggs and cocoons will be exempted from sales-tax. Lead pencils, mathematical instrument boxes and maps used by students have also been freed from sales-tax. The exemption limit of sales-tax on cooked foods has been raised from Rs 2 to Rs 2.50. Exemption has been proposed on packing materials used by dealers in periodicals and books.

The Assam budget for 1975-76 reveals a net surplus of Rs 10.42 lakhs. The deficit of Rs 6.11 crores on revenue account has been wiped off by a surplus of Rs 6.21 crores from other sources. The new taxation proposals include an upward revision of electricity tariff and enhancing of the fares of the Assam and Meghalaya Road Transport Corporation.

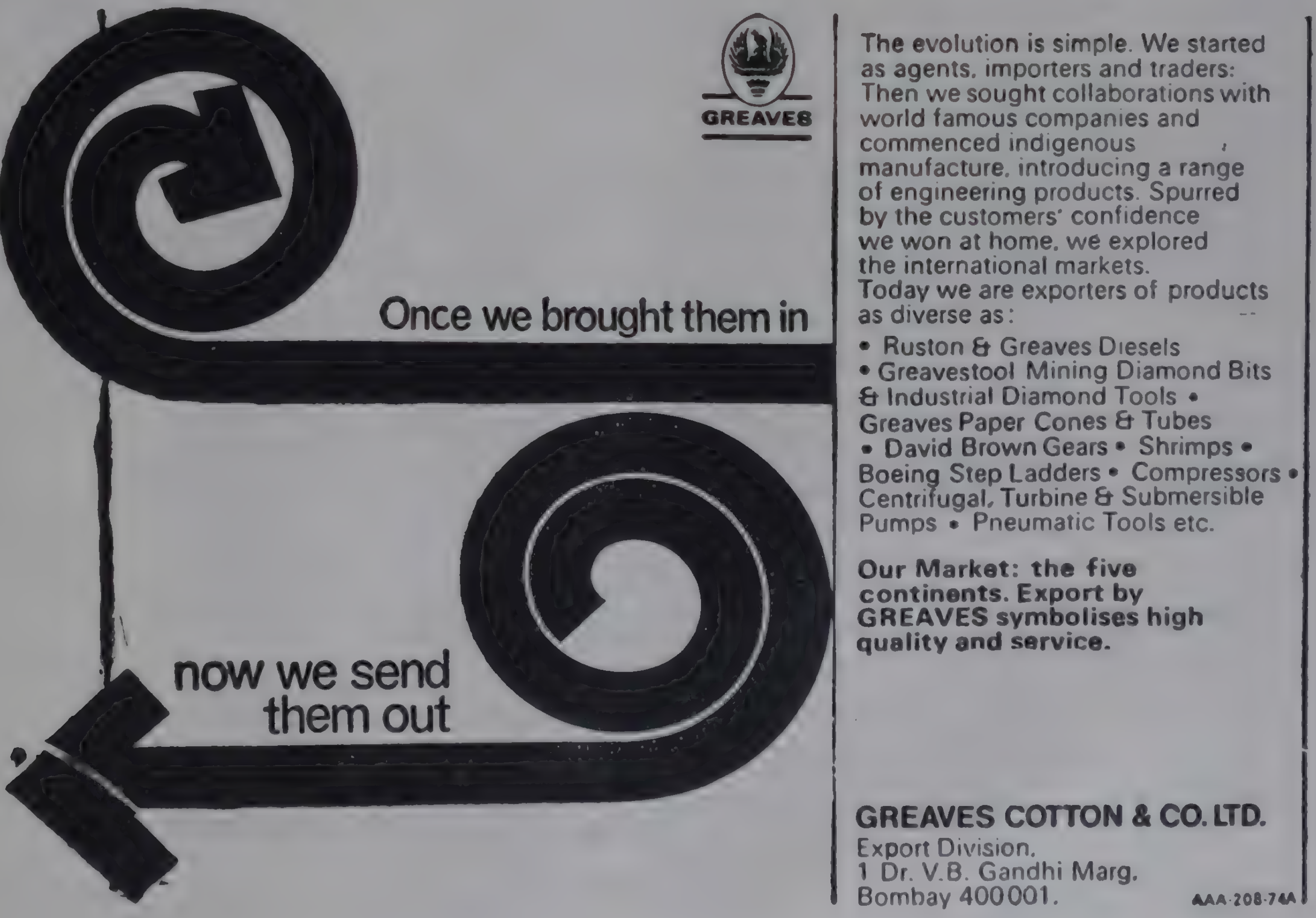
A turn-over tax on sales is the only new taxation measure announced by the Orissa Finance minister. The tax, otherwise known as "additional sales tax" is estimated to yield annually Rs 50 lakhs. According to the state Finance minister, it will not be allowed to be passed on to consumers. On the capital account, receipts are estimated at Rs 367.57 crores and expenditure at Rs 327.88 crores, leaving a surplus of Rs 39.69 crores. After providing for capital outlay for certain plan and non-plan programmes, a balance of Rs 21.12 lakhs is left as overall surplus for the year.

Reduced deficit

Tax measures announced in the Madhya Pradesh budget will partly succeed in reducing the over-all deficit of Rs 53.02 crores. The state Finance minister has proposed a change in the rates of registration fees which would give an additional annual revenue of Rs 30 lakhs. Increase in rates of sales-tax on certain items from 7 to 8 per cent will yield Rs one crore. The changes in the existing schedule of rates in the Indian Stamp Act will bring in Rs two crores and prevention of under-valuation of documents another Rs three crores.

The Karnataka budget, which has a surplus of Rs 1.69 crores on revenue account, is likely to have an overall deficit of Rs 17.42 crores after taking into account a nagative balance of Rs 28.20 crores on capital account. The new taxation proposals are expected to yield an additional revenue of Rs 14.65 crores in a full year. Announcing the extension of agricultural income-tax to cover all crops, the state Finance minister has indicated that the measures would bring in an additional revenue of Rs 3.5 crores, covering only a small part of the affluent farmers. Other proposals include enhancement of the general rate of multi-point sales-tax, sales-tax on silk fabrics, enhancement of purchase tax on sugar-cane, urban land tax, stamp duty on under-valued properties, and surcharge on motor vehicles tax.

The state finance minister has also announced certain reliefs to government employees and pensioners—sanction of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one instalment of dearness allowance, revision on the central pattern from April 1, 1975, the revision being subject to the provisions of the additional Emoluments (Compulsory Deposit) Act, and extension of the scheme of family pension to certain other categories of government employees.

The rate of old-age pensions has been raised. The house-building and house purchase advances, which had been stopped this year, would be restored. The minister has further announced the establishment of a family benefit fund for government employees who would be required to contribute Rs 10 every month to the fund. In the event of death of a government employee while in service, a sum of Rs 10,000 will be paid to his nominee or legal heir. In the case of an employee retiring on superannuation or leaving service earlier, he would be paid the actual amount contributed by him together with government contributions representing the element of interest.

Overall deficit

The Bihar budget, which shows a surplus on revenue account of Rs 38.79 crores has an overall deficits of Rs 36.13 crores after taking into account the deficit of the previous years, and a deficit of Rs 48.08 crores on capital account. The deficit however, is likely to be reduced to Rs 14.33 crores through additional income from fresh taxation. The budget includes a 20 per cent increase in excise duty on country liquor and higher sales-tax. It also contains a proposal for rationalisation of land rent.

A deficit of Rs 36.1 crores on revenue account in the Tamil Nadu budget is likely to be reduced to Rs 30.1 crores after an additional revenue of Rs 6 crores comes in following the new tax proposals. The overall deficit, taking into account the capital budget, is likely to be Rs 20.6 crores. The taxation measures announced include an increase in sales-tax and merger of additional surcharge on stamp duty as well as some marginal adjustment in it as a rationalisation measure. A five per cent single point sales-tax has been imposed on prawns, lobsters, crabs, frogs and frog legs. The present single-point sales tax of 9 per cent on scents and perfumes has been increased to 12 per cent.

The two per cent single-point sales tax on cotton and cotton yarn has been increased to 3 per cent and sales-tax on coffee, chicory, French coffee and tea has been increased from 5½ to 6 per cent. Single-point sales-tax on oilcake, vegetable oil, machine-made matches and pulses and grams has been increased from 3½ to 4 per cent. The single-point sales-tax of 9 per cent on electrical goods such as washing machines, grinders, mixers, blenders and electronic instruments has been increased to 12 per cent.

Low-level revenue

The Andhra Pradesh budget shows a surplus on revenue account of 13.49 crores. As the capital budget has a low level of revenue, the overall deficit is estimated around Rs 20 crores. The state minister for Finance however has hoped to cover the deficit partly through better collection of revenues and partly by persuading the government of India to increase its assistance to the state which has virtually remained frozen since 1973-74. The opposition parties, however, have questioned the state Finance minister's claim that he was not imposing any additional taxation by pointing out that the government had only recently revised the tax on commercial crops and on water rates.

As in the case of Andhra Pradesh, Kerala budget also has shown an overall deficit of Rs 12.2 crores; on revenue account the deficit was higher at Rs 21.00 crores. Like Andhra Pradesh, Kerala too wants to take credit of the measures of resource mobilization already included in the current year's programme but yet to be implemented. The state Finance minister has not proposed any further taxation measures in view of the elections in September. He considered it proper to leave the field open to the government that would assume office after the election.

The Gujarat budget, presented to the Lok Sabha, envisages an overall deficit of Rs 3.27 crores. The surplus on revenue account—Rs 27.92 crores—has been converted into the above deficit because of substantial negative balance of 137.57 crores on capital account. M P. K. Mukherjee, the union Reven minister for state, has pointed out that might be necessary for the state gover ment to mobilise additional resourc during the year to wipe off the deficit.

The Rajasthan state, which has a su plus balance of Rs 18.94 crores on reven account, will have a deficit of Rs 14.83 cr res on capital account. The capital receip are estimated at Rs 95.53 crores, again the estimated capital disbursements Rs 110.36 crores, The overall surplus Rs 4.11 crores, however, is likely to tur into a deficit of Rs 8.74 crores followin the inclusion of additional liability Rs 12.85 crores on account of increas in dearness allowance. The state Financ minister has pointed out that there h been some improvement in the state finances following an additional reven collection from state taxes, better yiel from central taxes, and release of advanc Plan assistance by the centre.

It may be pointed out that sever states will receive grants from the cent for famine relief. Table II shows th

TABLE II

Famine Relief Recommended by the Sixth Finance Commission

(Rs crores)

State	Annual provisio
Andhra Pradesh	4.31
Assam	1.25
Bihar	4.61
Gujarat	4.55
Haryana	1.24
Himachal Pradesh	0.03
Jammu & Kashmir	0.35
Karnataka	1.91
Kerala	0.30
Madhya Pradesh	3.41
Maharashtra	4.17
Manipur	0.04
Meghalaya	0.04
Nagaland	0.02
Orissa	3.48
Punjab	0.33
Rajasthan	10.19
Tamil Nadu	1.52
Tripura	0.07
Uttar Pradesh	2.18
West Bengal	6.61
Total	50.71

sthan has been recommended by the Finance Commission an amount of 10.19 crores annually for famine f operations. The other states which been recommended for this grant West Bengal. Bihar, Gujarat, Andhra desh, Madhya Pradesh, Orissa; the ef in their cases ranges from three ix crore rupees a year. Of the states ch have come out with their budgets, y Assam, Karnataka, Kerala and nil Nadu are considered comparati- y free from famines.

Another interesting provision which s recommended by the sixth Finance mmission was for the upgrading of ndards of administration in various tes. The provision over the fifth Plan riod (Table III) shows the extent to ich the states were considered back- rd from the point of view of adminis- tion. Bihar, West Bengal, Orissa, dhra Pradesh and Madhya Pradesh m to lead in this respect.

Table IV shows the grants payable to rious states by the centre. During 75-76, considerable grants would go to rissa, Rajasthan, West Bengal, Andhra Pradesh, Assam and Kerala. In addition the estimates include, on an ad hoc basis, a lump sum provision of Rs five crores to meet the likəly payment of additional grants to states towards increased gap arising out of net commitment on account of interest liabilities on fresh borrowings and lending.

TABLE III

inancial Provision over the Fifth Plan for Upgradation of Standards of Administration

(Rs crores)

States	Total all services
ttar Pradesh	290.1
ihar	166.7
Vest Bengal	72.23
rissa	57.06
ndhra Pradesh	52.62
adhya Pradesh	50.34
ajasthan	27.43
ysore	26.45
aryana	21.45
ssam	18.02
unjab	13.94
ujarat	9.19
erala	6.53
Maharashtra	3.63
amil Nadu	..
Total	815.84

TABLE IV

Grants to the States

(in lakhs of Rs)

Name of state	1974-75	1975-76
Andhra Pradesh	42,83	43,47
Assam	49,66	51,33
Bihar	18,78	23,92
Himachal Pradesh	31,72	32,02
Jammu & Kashmir	34,57	34,65
Kerala	43,85	43,46
Manipur	21,05	21,97
Meghalaya	13,61	14,23
Nagaland	23,77	24,68
Orissa	56,97	60,11
Rajasthan	49,30	48,57
Tripura	20,66	21,53
Uttar Pradesh	21,61	33,91
West Bengal	53,29	49,27
Total	481,67	503,12

It may be observed from Table V that the proposed plans for 1975-76 for some states are not as large as those proposed for 1974-75. Andhra Pradesh, for instance had proposed a Plan of Rs 155 crores for 1974-75 while for 1975-76 it has put this expenditure around Rs 152.0 crores. For Assam also the proposal for 1975-76 is far below that in 1974-75. The case with the Kerala, Tamil Nadu and West Bengal plans is not different.

Gujarat's plan outlay for 1975-76, including a special provision of Rs 15 crores for tackling problems created by drought and other natural calamities is contemplated at Rs 187.65 crores. It would be met to the extent of Rs 51.08 crores by local bodies and public sector undertakings from their own resources. For the balance of Rs 136.57 crores provision has been included in the state budget to the extent of Rs 32.17 crores—of the same order as in the current year, excluding the advance assistance of Rs 15 crores. In formulating the state plans for the next year, stress has been laid on the requirements of the core sectors of power, irrigation, agricultural production and productive labour-oriented works such as soil conservation, afforestation, and minor irrigation to meet the problem of scarcity.

Computer service

The minister of Finance for Madhya Pradesh has stated that to enable careful monitoring of Plan programmes and also to facilitate scientific budget formulation, a computer-based information system would be established, making use of the modern computer facilities available at the Administrative Staff College in Hyderabad. The state presented a strong case for additional central assistance for both irrigation and power sectors of the state Plan. The government had made out a case for additional assistance for the Nagarjunasagar project

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too. The allocation for power in the annual Plan for 1975-76 is Rs 54 crores and for irrigation Rs 38 crores, together accounting for 60 per cent of the total Plan outlay for the year.

Bihar's fifth Plan outlay totals Rs 1,267.43 crores. In the first year of the plan the outlay was Rs 168.98 crores out of which the central assistance was Rs 68.68 crores and the balance was to be raised from the state's own resources. Although central assistance for 1975-76 is likely to be of the same order as in 1974-75, the proposal for 1975-76 annual plan is lower than that of the previous year. Unprecedented floods and drought and the unusual law and order situation seem to have overburdened the state with unexpected expenditure. Irrigation and power will claim Rs 82.97 crores, agriculture Rs 32.48 crores, social welfare Rs 25.78 crores and industries Rs 9.94 crores.

Low-level assistance

The Finance minister of West Bengal has pointed out that the central assistance for all the states in 1974-75 remained pegged at the level of the last year of the plan. The Rs 150 crores increase in the size of West Bengal's annual plan for 1974-75 required a massive effort on the part of the state with regard to resource mobilisation. A similar effort would be required this year.

Orissa's annual plan size of 1975-76 had been fixed at Rs 89.25 crores which is Rs 25.46 crores higher than the assessed resources of Rs 65.79 crores, inclusive of central assistance of Rs 32.70 crores. Out of this gap of Rs 23.46 crores, the state's share is Rs 7.46 crores and the balance of Rs 16.00 crores is the additional responsibility of the centre. In a way, an inflated Orissa plan is being financed by the centre taking due care of the state's backwardness.

The Rajasthan Finance minster has pointed out that the Planning Commission has accepted a Rs 105.50 crores annual plan for 1975-76 for his state but the state government has increased it to Rs 110.84 crores in view of "the need to meet the basic requirements of the community." A sum of Rs 63.29 crores of this would go to irrigation and power development Rs 22.91 crores towards social and community services, and the rest for agriculture, industry and minerals.

By and large, the state plans are not very ambitious in size. In fact t proposed annual plans for all the sta add up to Rs 2,602 crores for 1975-76, against Rs 2,830 crores for 1974-75. T conservative nature of proposed pla shows the inability of the state gover ments to mobilise additional resources f development.

TABLE V

State Plans

(Rs crores)

	1974-75		1975-7
	Proposed	Approved	Proposed
State			
1. Andhra Pradesh	155.00	137.78	152.40
2. Assam	96.22	53.66	58.62
3. Bihar	274.64	140.27	180.60
4. Gujarat	150.00	140.98	172.65
5. Haryana	76.01	81.60	92.25
6. Himachal Pradesh	32.40	31.16	32.08
7. Jammu & Kashmir	51.77	48.00	53.00
8. Karnataka	135.00	110.75	147.00
9. Kerala	101.50	73.89	88.20
10. Madhya Pradesh	188.84	152.25	215.36
11. Maharashtra	398.12	275.84	330.79
12. Manipur	15.13	12.06	12.78
13. Meghalaya	21.60	13.63	14.45
14. Nagaland	15.00	14.00	14.84
15. Orissa	85.11	71.24	89.25
16. Punjab	124.00	107.87	163.30
17. Rajasthan	98.00	77.85	105.50
18. Tamil Nadu	165.87	112.00	138.59
19. Tripura	18.54	11.00	11.93
20. Uttar Pradesh	388.60	255.19	375.00
21. West Bengal	238.25	147.87	153.83
Total	2,829.60	2,068.89	2,602.42
Union Territory			
1. Andaman & Nicobar	5.20	4.67	5.50
2. Arunachal Pradesh	7.25	7.22	7.65
3. Chandigarh	5.05	5.22	5.35
4. Dadra & Nagar Haveli	0.90	0.88	0.91
5. Delhi	4.50	43.35	49.00
6. Goa, Daman & Diu	12.00	17.60	12.97
7. Lakshdweep	0.75	0.83	0.82
8. Mizoram	6.90	7.25	6.90
9. Pondicherry	5.25	4.36	5.25
Total	88.30	91.42	94.35

The fever of inflation and its abatement

ESENTING THE budget of the vernment of India on Feb-ary 28, 1975, for 1975-76, the ance minister, Mr C. bramaniam, said that even ough there were visible signs a downward trend in prices t it would be wrong to assume at the fever of inflation d been entirely cured. In s view, it had only shown gns of some abatement. He so said that the problem of verty in our country could t be solved by merely hold-g the price line. It could be ckled only through growth. n accelerated rate of growth as the best insurance against rpetuation of poverty. The udget proposals, he added, d been conceived to provide stimulus to the economy as rt of a long-term strategy r stabilising it.

The full text of part 'A' of e budget speech is given elow:

It is my previlege this year present the budget to this ugust House.

Its formulation has been o easy task; but my burden as been lightened to some ex-ent by my distinguished pre-ecessor in office who had ap-lied many correctives earlier n the year; these severe mea-ures had a distinct impact on n admittedly difficult econo-nic situation that our nation as of late been faced with.

nterfering factors

It is necessary for me on is occasion to recount in letail the variety of factors, oth external and internal, which have interfered with the rderly implementation of our development plans and strategies in recent times. The virulence with which inflation has been spreading and its devastating impact across national boundaries, continue to impose on developing countries such as India burdens and hardships which we have been ill-equipped to withstand. The impact on the living standards of our people and on the pattern of real incomes within the country has been serious enough. What is even worse is the persistent rise in prices which has eroded the capacity to save and thus imposed a painful constrain on the flow of investible resources so urgently needed to sustain our plans for a bettter future. The 'Economic Survey' sets out in some detail the anatomy of this complex problem and the characteristic features of the current situation.

It is against this backdrop that I would like the Honourable Members to assess and to judge my budget proposals.

Underlying approach

What, one might ask, has been the underlying approach—to the basic philosophy—in framing these proposals? Is it merely an ostrich-like exercise to balance receipts and expenditure for the exchequer? Or does the budget seek more positively and purposively, to subserve larger national objectives?

The answer is, of course, clear and unequivocal. We *do* look upon the budget as an important tool for reaching our cherished socio-economic goals. Development, the security of our country and growth along with social justice continue to govern our priorities; these objectives determine our decisions on *how much* to spend, *on what* programmes to spend and *in what manner* the resources are to be raised. The pattern of our outlays, as well as the relative weight of particular instruments in the raising of resources might vary—indeed, may well *need* to be deliberately fashioned afresh—from time to time, in response to changing circumstances and requirements. But about the over-riding concern and commitment to deliver the masses from grinding poverty there can, of course, never be any doubt or vacillation. I shall spell out a little later in my speech, the concrete steps contained in this budget to take the nation forward in this direction.

The immediate concern of our fiscal and monetary policies has been naturally to bring inflationary pressures firmly under check. A series of steps had to be taken—some of them unpalatable and unpopular—to restrain and discipline the demand pressures operating on the limited availabilities of food and fuel, of clothing and housing, of transport and power in an economy besieged by rising prices. In the short-run, there was no equally effective alternative to the planners and policy-makers to balance demand and supply of these essential goods and services for containing inflation. These present a great challenge to our nation and call for courage and fortitude.

However, only incurable pessimism will, I think, bar us from acknowledging with some satisfaction, the fact that already there are visible signs for a downward trend in prices. The 'Economic Survey' provides some details of price trends for important commodities. They give room for some satisfaction, but ordinary prudence demands that we continue to be conscious of the fact that the fever of inflation has not been entirely cured; it has as yet only shown signs of some abatement.

Growth essential

But then, let us also remind ourselves that the problems of poverty in our country cannot be solved by merely holding the price line. We can meet them only through growth. A rapidly growing economy is the best insurance against perpetuation of poverty; indeed, it is the only solution. We have, therefore, to devise ways and means of stimulating production from the available capacity, and of adding to that capacity in sectors considered vital for improving income and consumption levels of the poor. This requires a multi-pronged drive to augment our capita and improve our technology and management. The budge proposals, which I shall se forth presently, embody certair specific steps to provide the stimulus to the economy on these lines, as part of a longer-term strategy for stablishing and on that basis imparting greater viability and vitality to our economy.

Farm production

Our ability to meet the minimum basic needs of our people depends crucially on the trend in agricultural production. It is in this light that I regard the claims of agricultural growth as *the first charge* on our developmental resources. Modern agriculture is interlinked with industry. Fertilisers, pesticides, agricultural implements and equipment, besides supply of power, determine agricultural productivity, as much as seeds and water. The sectors of our industry which supply these vital inputs to our agriculture, therefore, merit the highest priority.

The continued sluggishness of Indian agriculture since 1971-72 has contributed significantly to the distortions which have emerged in our economy in the last two or three years. The causes for this sluggishness have been carefully analysed; we have identified a series of measures directed towards imparting a new momentum to this vital sector. The prospects for the forthcoming rabi crop are encouraging. This should not, however, make us complacent in our drive for higher productivity from the land and labour employed in agriculture. A sustained increase in productivity will call for action on many fronts.

The *first* priority is, of course, the supply of good quality seeds of the high-yielding varieties. A major National Seeds Project for large-scale production of quality seeds has been launched. This project will cover production, pro-

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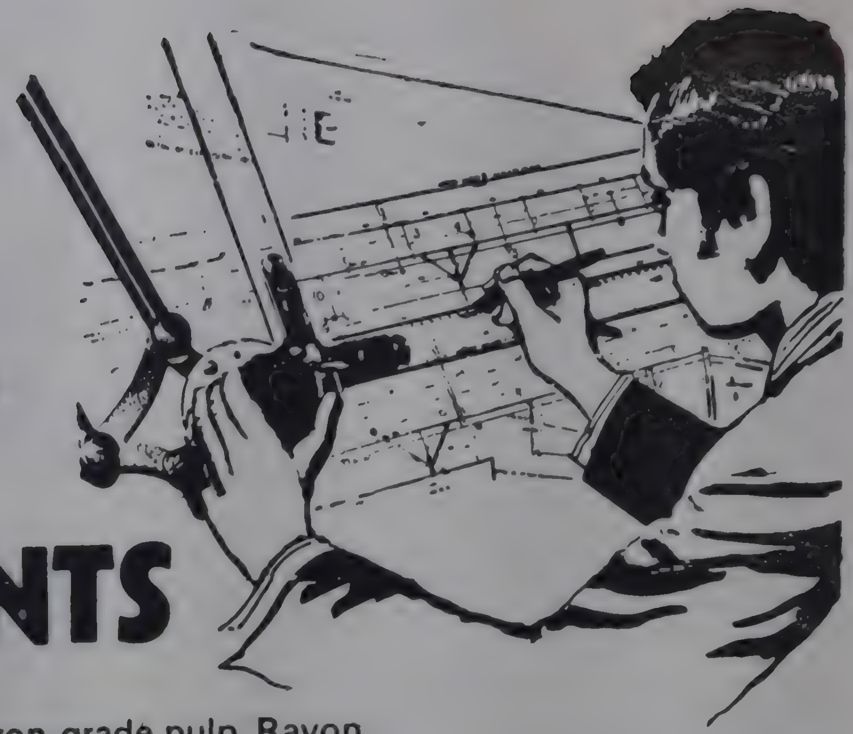

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Mysore Cements Ltd.	600-1,200 tonne kilns and 2,000 tonnes per day limestone ropeway	Rs. 250 millions

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sing, marketing and quality
ntrol of seeds. Regional
d state-level seed corpora-
ns, with a time-bound pro-
amme of self-sufficiency in
eeting in full the demand for
gh quality seeds, are being
tablished. Agricultural uni-
rsities will be involved in the
ork to ensure quality. The re-
earch and teaching staff as well
the students are to be involv-
d in solving the practical pro-
lems of seed production and
ipply. Arrangements are also
eing made for an effective
ed certification programme,
nd for the build up of national
d local buffer-stocks to meet
mergency needs. The finan-
ial and other requirements of
his programme will be fully
net.

Secondly, fertiliser produc-
on programmes are being
ushed through, notwith-
tanding the escalation in pro-
ect costs of the new units. The
ublic, the cooperative, as well
s the private sectors have
een given a role in bringing
o fruition additional fertiliser
apacity during the fifth Plan
eriod so that dependence on
mports—which is costly and
nreliable at best—could be
nitigated if not done away
vith altogether.

Optimum utilisation

Thirdly, programmes desgned to ensure optimum utilisation of surface and ground water to aid agricultural production will be pushed through. Command area programmes under major irrigation projects will be supported by sufficient inputs of men and materials so that the new potential is taken advantage of by farmers with the least delay and for maximum social benefit. Inter-state river disputes, which unfortunately have been dragging on without solution for a number of reasons in the past, are now being looked into with a special sense of urgency. As a result, the progress in some of the cases has been quite appreciable. Failure to settle these disputes is leading to waste of water and sacrifice of additional agricultural production that the country so desperately needs.

Fourthly, special efforts are being made to organise farmers' service societies to provide credit to the farmers in time, to arrange for inputs and help in processing and marketing of the produce. A high-powered group which examined this problem has formulated a scheme for the formation of viable multi-purpose societies linked to central cooperative banks or commercial banks as the case may be. These recommendations have been accepted by the government and the departments concerned are working out a programme of action in order that the objective of timely and adequate supply of credit, backed by physical inputs and covering processing and marketing, is realised, particularly for the benefit of the small and medium farmers.

Energy sector

Next only in importance to the agricultural sector is *the energy sector*. The nationalisation of coal is beginning to yield results. During the current year the production of coal is expected to go up by about 10 million tonnes to a record level of 88 million tonnes. I would like to say a special word of appreciation and thanks to the workers in the coal mines; without their enthusiastic cooperation we could not have achieved the increase in production. Reorganisation in the management of mines and supply of much needed equipment, spares and technical expertise have laid the foundations for an expanding trend in coal output. Two of the major constraints in coal production, namely, shortage of rail transport and power especially in the eastern sector, have now been largely removed. With the present trend, it is expected that during the next year, coal production will go up by another 10 million tonnes, that is, to 98 million tonnes. At this level of production, it should be possible to meet the domestic demand in full (including partial substitution of coal for furnace oil); we might also perhaps export some quantity for earning much-needed foreign exchange.

The immediate impact of steep increase in the prices of crude oil, and the petroleum products, was, no doubt, to strain the country's balance of payments severely. At the same time, this has given a new sense of urgency and momentum to our efforts to increase production of indigenous crude. The anticipated increase within as brief a period as one year, between 1974-75 and 1975-76, is from 7.5 million tonnes to 8.4 million tonnes, an increase of about 12 per cent. What is more important is the progress achieved and the potential that is opening up for a major break-through in the indigenous production within the next 5 to 10 years. The discovery of oil deposits in the structures known as Bombay High is already known. The Oil and Natural Gas Commission is expected to establish the first stage of production from Bombay High in the second half of 1976 with a yield of about one million tonnes per year. By 1980 production from this source might well reach the level of 10 million tonnes, though one may have to wait a little before making firm estimates. The Bengal and Kutch off-share basins are also being intensively surveyed and the preliminary results so far obtained appear encouraging. The dynamism exhibited by the Oil and and Natural Gas Commission merits our appreciation.

After a period of stagnation and shortage with widespread consequences to both industry and agriculture, recent trends in the production and distribution of electricity also show a welcome improvement. The entire electric industry is being restructured with accent on professionalism, efficiency, competence and precisely defined responsibility for the staff. As a result of these measures, there has been distinct improvement in the levels of power generation in the eastern region. The Central Electricity Authority

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is being reactivised and the state electricity boards are being helped to professionalise their management, to arrange for maintenance services and to improve staff skills. These programmes as well as recent achievements portend an easier power supply situation than has been the case in recent years. Government are also actively examinining the possibilities of setting up at the pit heads of major coal fields in the country a number of super thermal power stations. These centrally owned power stations would enable the union government to even out, to some extent, the regional imbalances in power availability, augment the power supply substantially, and to bring about a more rational approach to the problem of generation and distribution of power in terms of real needs.

I wish to submit that the important feature of this budget is a clear-cut identification of these twin priorities—food and energy with the supporting facilities—and the earmarking of adequate funds for the development of these two sectors in the first instance before taking up the claims of other sectors.

Cruel choice

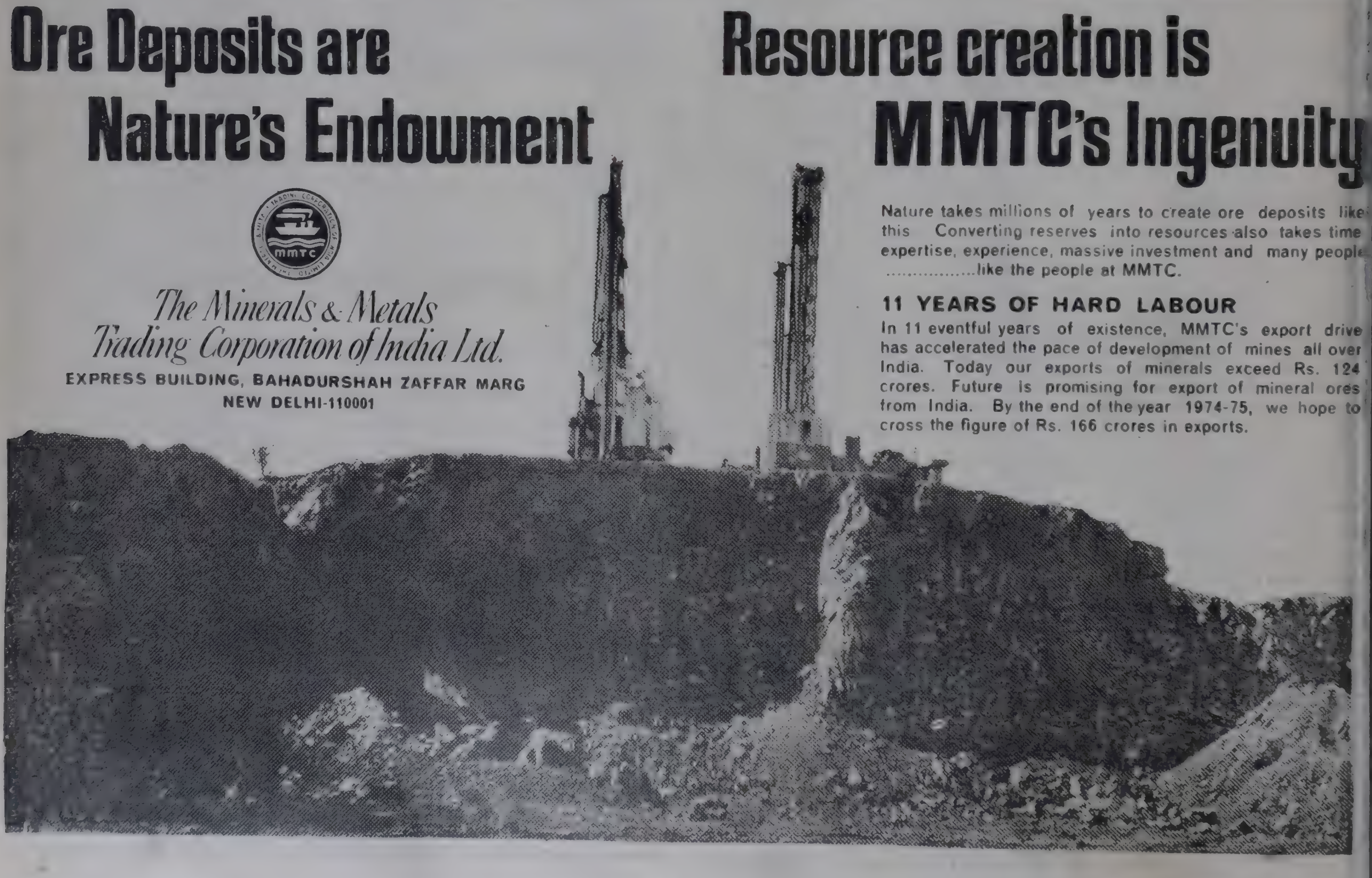
This is the kind of inescapable and often cruel choice which planners and policy-makers in developing countries are called upon to make, beset as they are with scarce resources and multiple needs. I have no doubt that Hon'ble Members will endorse the overriding priority that is being accorded in the budget to the food and energy sectors of the economy, even at the risk of depriving some of the other sectors. I should, perhaps, add that in so doing we are observing the basic investment strategy underlying the draft fifth five-year Plan.

Nor would this clear-cut adherence to priorities be confined to the central budget only. In the course of the discussions with the state governments for fixing the magnitude and pattern of the State Plans for 1975-76, it has been ensured that the requirements of agriculture, irrigation and power are met as a matter of first priority and only the balance of scarce resources distributed among other sectors. I would here like to express my gratitude to the chief ministers of state governments and union territories for their willing support and cooperation in agreeing to frame their plans within this broad pattern of national priorities.

In striving to stimulate production in areas of high priority we have not lost sight of two other equally important considerations—one relating to the human and geographical aspects of production and the other, to the proper distribution of the good produced. The needs o relatively weak producers an backward regions will conti nue to receive special attentio and support. The problem of production, of diffusio of income and employment of reduction of inequalities and of ensuring minimu consumption standards for al have to be looked at in thei entirety.

Magic number

The specific programme under these heads shoul not only be mutually con sistent with each other, bu should be so designed tha they facilitate and reinforc each other. The increase i agricultural output that w are aiming at is thus not matter of mechanically reach ing a magic number. Consi derations of balance betwee classes of farmers and o regions, and of ensuring pattern of production that i in consonance with our socio



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nomic objectives are equally ortant.

If the fruits of economic elopment are to be equi- ly distributed, adequate ention will have to be paid the problems of relatively ckward regions and districts. that end, developmen ans have to be drawn up on e basis of a careful analysis local needs, potentialities d resources. In this connec- on, I would lay great em- asis on a comprehensive rvey of natural resources all districts of India. This ould enable us to work out perationally meaningful plans nd programmes to make ptimum use of locally avail- ble resources along the lines f the now well-known Karim- agar project in Telangana.

In spite of the various rophecies of doom one hears hese days, I am definitely ptimistic that the pace of conomic development will be onsiderably accelerated in the oming years. I must, how ver, point out that the full ealisation of our growth otential will require sustain- d hard work and the utmost iscipline on the part of all ections of the community. We are currently faced with an acute scarcity of domestic financial resources.

Balance of payments

Our balance of payments position is also under strain. In order to deal effectively with the tasks that lie ahead, we must do everything in our power to increase our exports, and economise in the use of scarce imported inputs. Higher investment in the key sectors is essential, but it must be financed in a non-inflationary manner. This means we must increase the rate of savings. As part of the strategy of discouraging excessive current consumption, we need to evolve a more rational wage and salary structure, which should be more equitable than the present structure, and also in conformity with the changing demands for skills in a dynamic economy.

In our quest for accelerated growth, combined with stability I place the highest importance on protecting the more vulnerable sections of the population against shortages and the high prices of essential commodities. For this we must have a well- functioning public distribution system for certain basic essential commodities. There must be greater certainty of supply, and the system must in fact serve those whom it is meant to benefit. I, therefore, seek an expansion of the public distribution system. and this pre-supposes efficient arrangements for the procurement of the needed commodities. I am glad that procurement of kharif cereals during the current year has proceeded satisfactorily. This combined with adequate imports, will certainly be of considerable help in the operation of an effective public distribution system of foodgrains in the coming year.

Supply of cloth

Cloth is another commodity that must be provided. With the recent enactment of the Sick Textile Undertakings (Nationalisation) Act, government have acquired 103 textile mills whose management had earlier been taken over by the government. The acquisition of these mills provide government with another very useful instrument to regulate the production and distribution of cloth. Government are now considering further steps to ensure that the production of controlled cloth is in line with the agreed target and that this cloth reaches those sections of the community for whom it is meant.

Since resources are scarce, the utmost emphasis has to be laid on increasing productivity. This is a task which requires all round improvement both in public administration and the management of enterprises. I have every hope that recent innoavations such as the system of internal financial advisers, performance budgeting, and greater emphasis on monitoring and information, will help to tone up the quality of public administration. I am happy to note the emphasis being laid on promoting higher productivity in all manufacturing public sector enterprises by applying more scientific polices in the fields of personnel administration, management development, materials management and management information system and above all, through the introduction of modern productivity techniques. The improved performance of a large number of public sector enterprises is a testimony to growing productivity consciousness in the public sector.

I believe this House will concede that as a result of rigorous measures adopted by the government, we have succeeded in combating what seemed to be a run-away inflationary situation. To achieve this, government non-developmental spending was curtailed, increase in wages and a part of additional dearness allowance had to be temporarily frozen, the increase in the rate of money supply drastically brought down, and severe action taken against hoarders and smugglers. As a result of these efforts for the last few months prices have been slowly but steadily coming down. This is no mean achievement when we consider that in most other countries around the world prices continue to rise. While continuing this policy of rigorous control on spending, there is also need, as I mentioned earlier, for increased investment, both by the central and state governments, and the private sector, in important priority areas, It is one of the objects of this budget to help achieve this. While the rate of spending in other areas must remain low, this is also the time to prepare the ground and do the necessary investigations to prepare for higher investment in later years. This we are engaged in. It is our purpose to invest now in projects in important areas that will yield quick results, and complete those in an advanced stage of implementation. Also

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important is the need to promote domestic savings and to stimulate investment. These various objectives we seek to achieve through the present budget.

I have just mentioned the need to stimulate investment. The capital market has been depressed of late, particularly after the Restrictions on Distribution of Dividends Act. The Unit Trust of India had to face a situation in which repurchases were much higher than the sale of units. The government, therefore, issued an ordinance providing for certain tax relief and other remedial measures which have greatly improved the situation. For improving the capital market, I intend to introduce soon an amendment to the Restriction on Dividends Act which will provide that while dividends in excess of the various limitations laid down in the Act may not be paid, higher dividends can be declared, the deferred dividend being payable in two annual instalments, but without interest, when the present Act expires. These measures will improve the climate for investment, particularly in respect of new issues.

I am also conscious of the fact that in recent years, there have been steep escalations in capital costs which have acted as an inhibiting factor to new vestment in certain capital intansive industries which are vital for our future growth. Government have appointed a high-level committee to go into this question. When the report of this committee is received, we shall quickly examine the need for suitable fiscal concessions, and new pricing policies as a means of stimulating fresh investment in these areas.

The experience of the last two years amply demonstrates that effective steps to eliminate the black money economy must constitute an essential component of our strategy to impart a measure of stability to the economy, and to divert the available pool of national savings for high priority investments. I wish to reaffirm that government is firmly committed to root out the evil practices of smuggling, hoarding, black-marketing and tax evasion and have given evidence of their determination in this regard. In this context a separate law for dealing more severely with various economic offences seems to be a necessity.

Having thus outlined our approach, I will now give some details of the revised estimates for 1974-75 and the budget estimates for 1975-76.

Revised estimates 1974-75

The original budget for the current year envisaged a deficit of Rs 126 crores. It has not been possible to adhere to this figure because many of the assumptions on which the original budget was framed have been affected by adverse trends in the economy, most
particularly the phenomer
price rise this year. The vario
reasons for this I shall expla

The provision in the bu
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difficult food situation and t
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crores.

The provisions for salari
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made to meet the cost of ad
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the basis of the price increa
upto April 1974, three insta
ments of dearness allowan
were sanctioned. Prices, ho

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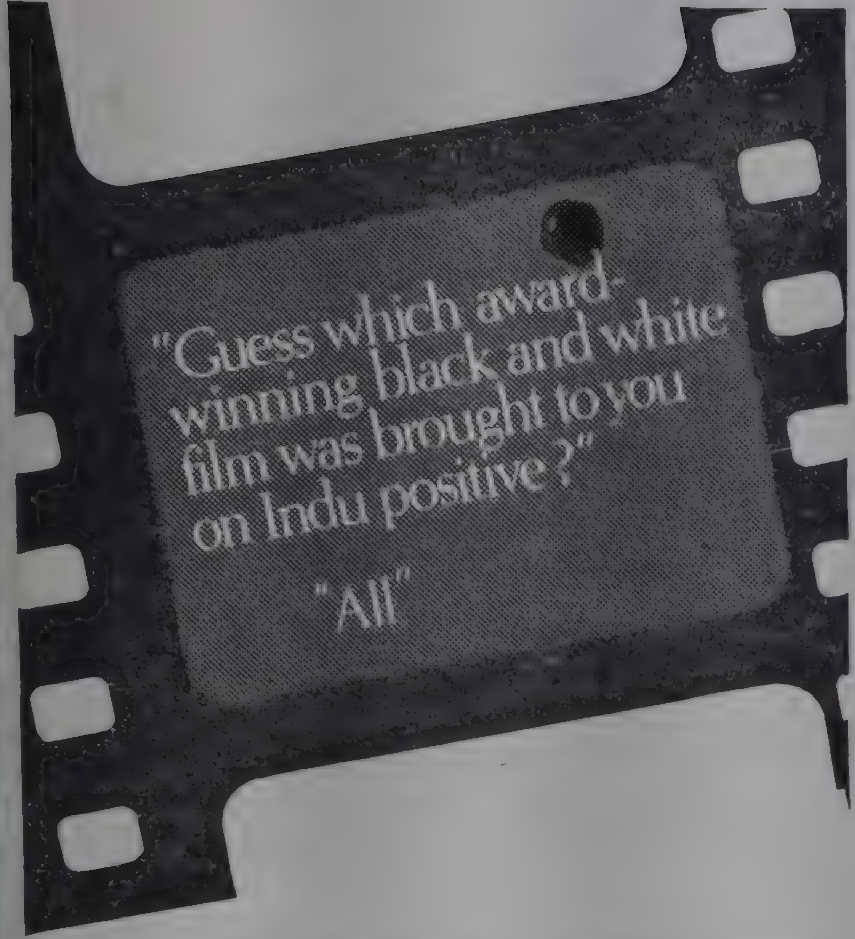
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continued to rise till sep- er 1974, and three further lments of dearness allow- fell due on the basis of dearness allowance for- accepted by the govern- . In view of the likely ttling effects of further ness allowance payments he economy, it was consi- d necessary to review these ngements. Subsequently, consulation with govern- t employees, it was decided anction instalments which due on the basis of the rage price index upto 272. as also agreed that arrears this account upto Decem- 1974, payable in cash, ld be deposited in the pro- ent fund accounts for a rt period. I must express gratitude to the employees their understanding and co- ration in meeting the pre- t difficult situation. This enabled us to restrict draft on the Budget on ount of six instalments of rness allowance to about 230 crores in the current ar. This is still Rs 110 cro- more than the provision of 120 crores made in the dget.

fence expenditure

Defence expenditure for e current year will be Rs 57 crores as against Rs 1915 ores in the original budget. part from a liability of about s 95 crores on account of earness allowance, the in- ease is mainly due to revi- on of pay scales, rise in pri- s of petroleum products and e higher cost of provisions nd transport.

Another reason for increase the deficit has been the drou- ht and floods with which many arts of the country have been ffected. As Honourable Mem- ers are aware, central assis- ance for drought and floods being made available now nly by way of advance release f Plan assistance, or assis- ance under the Drought Prone Areas Programme, Tribal Development Plans etc so that plan priorities are not disturbed or distorted and that productive and durable assets are created through this assistance. Such advance assistance will be adjusted against the normal Plan assistance due to the states in the ensuing years. In accordance with this policy, advance Plan assistance of Rs 55 crores has been allocated to the states for drought and flood relief measures in the current financial year. Apart from this, additional assistance has been made available to the states concerned under the Brahmaputra Flood Control Works and Drought Prone Areas Programme also. With these and certain other inescapable commitments towards the states, including release of loans against small savings collections in 1973-74, the additional assistance to the states will amount to Rs 161 crores.

Other shortfalls

Other causes for the higher deficit relate to public sector enterprises, fertilizer imports and additional spending on core sector projects. A few of the enterprises did not have an adequate surplus to repay loans taken from government. It, therefore, became necessary to provide additional assistance of Rs 126 crores to a number of undartakings mainly because of increases in wages and dearness allowance and higher cost of fuel which had not been foreseen in the budget.

The budget for 1974-75 did not envisage any net outgo on fertilizer transactions. The issue price from the pool was raised only from June 1974. Subsequently, in order to meet the urgent demand for fertilizers, an additional quantity of nearly one million tonnes had to be imported at considerably higher international prices. There is usually a time lag of about four months between the payment for purchases abroad and the cash recovery from state governments of the cost of fertilizers issued to them. Because of this time lag, large fertilizer imports have been paid for by the central government, but their cost will not have been recovered from the states by the end of this year. The central budget therefore, has to bear this burden. As of now, the estimate of cash outgo on account of fertilizer transactions is about Rs 290 crores.

As the House is aware, a series of economy exercises were effected in August 1974, locating considerable savings in expenditure. However, additional allocations of Rs 190 crores had to be made for Plan schemes in the core sectors like fertilizers, power, coal, petroleum. steel, ports and paper to maintain their schedules, and provide for escalation in costs. Economies anticipated in other sectors could not be realised in full due to steep rise in costs. As a result, the net expenditure on central Plan will go up by Rs 74 crores.

All these adverse factors would have raised budgetary deficit to a very high level, but for the fact that the position has been retrieved to a large extent by the buoyancy in tax receipts.

Receipts from Customs are expected to yied Rs 1300 crores against the budget estimates of Rs 936 crores—the improvement being mainly on account of larger import of fertilizers, iron and steel, and a large increase in the prices of items like fertilizers, machinery and equipment.

Income and corporation taxes are now expected to yield Rs 1460 crores as against the original budget estimate of Rs 1370 crores.

There is not likely to be any appreciable increase in the collection of union excise duties over the budget estimate, as adjusted by levies imposed in the Second Finance Act, 1974.

The strategy of concentration on higher income groups and a general tightening of the tax machinery in all branches has yielded good results. I would like to commend the devotion to duty and the zeal shown by the officers and staff of the revenue collecting agencies.

External recipts on account of loans, show an increase of

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nearly Rs 43 crores mainly on account of larger receipts against debt relief from the members of the Aid India Consortium, and larger non-project loans from IDA. Grants from external sources in the revised estimates in terms of actual receipts show an increase of about Rs 60 crores mainly on account of assistance which India has received from the EEC and the UN Fund for Emergency Relief for countries most seriously affected by the oil crisis, and additional assistance from some other countries.

Even at the risk of rendering the supply position in the domestic market a little difficult, the government took the hard decision of allowing the export of nearly half a million tonnes of sugar. While improving our balance of payments position, this has also benefited the budget to the extent of Rs 125 crores by way of profits.

Even with these various improvements, the year may end with a deficit of Rs 625 crores. However, nearly Rs 330 crores of this is on account of payments for stocks on hand of imported food and fertilizers, which will soon be recovered. As both these commodities have been purchased abroad, by drawing down our foreign exchange reserves, there is no resultant increase in money supply and the deficit to the extent of Rs 330 crores is, therefore, non-inflationary in character.

Budget estimates 1975-76

In the context of continuing shortages in the economy, and the impact of the price rise, framing the budget for the next year has not been an easy task. While developmental requirements must receive the highest priority, the draft on the budget for essential non-Plan requirements like defence, the food subsidy, and the maintenance of social services cannot be ignored, and are substantial. I have endeavoured to balance two paramount but somewhat conflicting needs in this budget—the short-term need to keep in check inflationary pressures, and the equally important requirement to sustain the tempo of development, which, in the ultimate analysis, is the real solution to the problem of inflation. I am only too well aware that any slackening of our development effort will compound our problem in the future.

The projections of receipts for next year at the existing rates of taxation take into account the satisfactory trends witnessed in the current year. Income and corporation taxes are expected to yield Rs 1570 crores and union excise duties Rs 3500 crores. Receipts from interest tax are expected to be Rs 60 crores. Customs receipts will, however, by less by Rs 50 crores next year because of lower imports of steel, and the bunching of fertiliser imports towards
end of the current year.

The budget also assumes
credit of Rs 125 crores
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sugar on the assumption th
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Receipts from extern
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230 crores to the budget durin
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In view of the pressing nee
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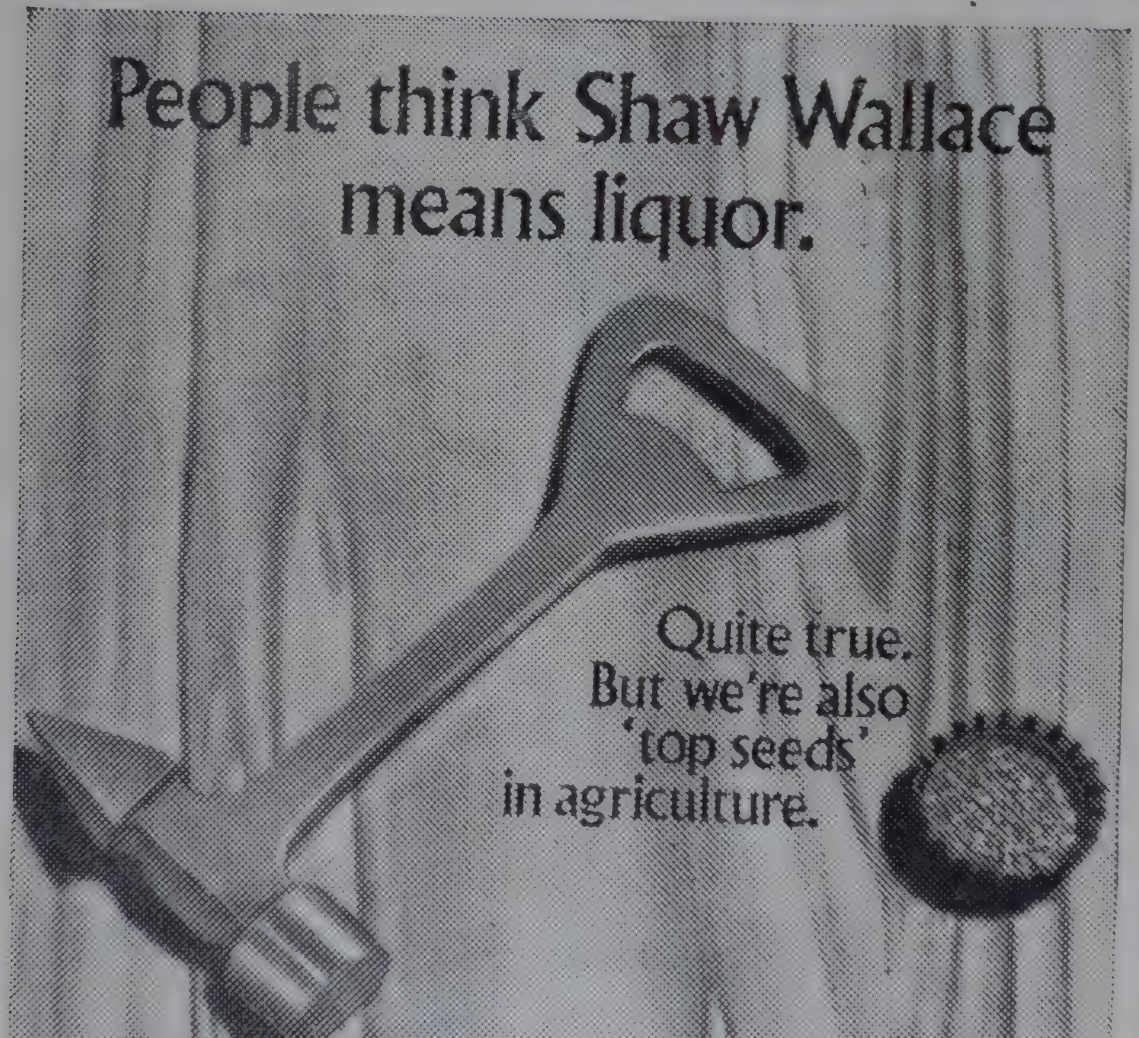
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in areas which are im- ant for security, the main- nce of development work, for safeguarding the inte- s of the weaker sections of ety. Apart from debt ser- ng and other obligatory ns of expenditure next year, ence expenditure would be 2274 crores as against Rs 7 crores in the current year. od Subsidy for 1975-76 is imated at Rs 295 crores. the performance of public tor undertakings is expected improve, non-Plan assis- ice to these undertakings l be less next year by Rs crores than the provision in current year of Rs 217 ores. The outgo on ferti- er transactions next year is imated at Rs 140 crores.

A to employees

The entire question of dear- ss allowance increases to ntral government employees to be discussed with their presentatives in the next few eeks. It is now widely re- gnised that evolving effective easures for remedying the uses of inflation, though pleasant and hard, should preferred to frequent ad- istment of prices, incomes nd wages, which greatly ampers the process of plan- ed growth. In a country here there is considerable un- nployment and underemploy- ent, an excessive preoccu- ation with the current con- umption of those who are ully employed erodes investi- le resources and seriously ffects the pace at which new mployment opportunities can e created to alleviate the suf- erings of those who are unem- loyed. Additionally an increase monetary rewards, not justi- ed by an increase in the coun- ry's productive capacity, ac- entuates inflationary pressures n the economy; this may also hreaten the security currently njoyed by those who are fully mployed. While I am, there- ore, aware of the hardship cau- ed to government employees y price rises, I earnestly hope hat in our forthcoming dis- ussions the dearness allowance question will be considered in his larger perspective.

After a careful and detailed sectoral review of the Plan requirements for next year, it was felt that the allocation in the central budget for the central, state and union territory Plans should be at least Rs. 3612 crores, if our long-term objectives and urgent priorities are to be adequately fulfilled. This budgetary support of Rs. 3612 crores includes Rs. 1054 crores for states and union territories Plans, including the hill and tribal areas sub-Plans, the requirements of the North-Eastern Council and assistance for power schemes channelled through the Rural Electrification Corporation. It also includes Rs 100 crores of special advance Plan assistance to certain states which may have gaps in resources on the basis of central assistance at the current year's level, to ensure adequate investment in important projects in the core sectors of irrigation and powers. Budgetary support for the central Plan will be Rs. 2558 crores. The total central Plan outlay next year inclusive of extra budgetary resources will be Rs. 3154 crores. The states and union territories Plans will be of the order of Rs, 2806 crores. Thus, the total Plan size for 1975-76 will be Rs. 5960 crores which in financial terms represents an increase of 23 per cent over the 1974-75 Plan of Rs 4844 crores.

Steep step-up

Budgetary provision for the central Plan of Rs 2558 crores represents a step up of Rs 429 crores over the revised estimate of Rs 2129 crores in the current year. I am conscious that a more substantial step up in the Plan investment to provide for achievement of draft fifth Plan targets in all sectors would have been desirable from the long-term perspective of the economy. But we cannot forget that large scale deficit financing leading to further price increases will substantially erode the real content of the Plan and cause more damage to the programme of planned development. We have, therefore, as I stressed earlier, adopted a selective approach and given priority to key sectors of the economy like agriculture, power, fertilizers, coal, petroleum, essential industries like cement, paper and ship-building, and transport over all other sectors, and even over long gestation projects in the core sectors.

As agriculture is the backbone of the economy, special care has been taken to step up the investment in this sector substantially—from Rs 193 croses in the revised estimates to Rs. 270 crores. The allocations include Rs 50 crores for the Agricultural Refinance Corporation, Rs. 25 crores for Drought Prone Areas Programme, Rs 22 crores to Small Farmers and Marginal Farmers Development, Rs 16 crores for Command Area Development, Rs 23 crores for agricultural research and education, and Rs. 43 crores for the cooperative sector, including the cooperative fertiliser factories.

There will be an increase of Rs 84 crores in investment in fertiliser production over the current year's level of Rs. 192 crores. Adequate funds are being provided for Nangal Expansion, Ramagundam, Talcher, Haldia and Cochin Phase-II, and for several new plants such as Trombay IV and V, Bhatinda and Panipat and a new project at Sindri.

The budget support for the power sector including support for Rural Electrification Corporation will be Rs 140 crores in the next year. Substantial provision has been made for continuing projects like Badarpur extension, Loktak, Baira Siul and Inter-State Transmission Lines. Further, there will be an aggregate provision of the order of Rs 900 crores in the state Plans for power.

Budget provision for coal represents a substantial increase from Rs. 141 crores in this year's revised budget to Rs 229 crores. Coal Mines Authority and Bharat Coking Coal Ltd, have been allowed larger provisions to enable the achievement of the target of production of 135 million

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tonnes by the end of the fifth Plan. Provision has also been made for stabilising the production of lignite at Neyveli at 4.5 million tonnes.

Budget provision for petroleum and petro-chemicals has also been greatly stepped up to Rs 170 crores in 1975-76 as against Rs 60 crores in 1974-75 revised estimates. There will be a considerable increase in the provision for the Oil and Natural Gas Commission, Oil India and Indian Petro-Chemicals Corporation. As the House is aware, a cess was levied in the current year for the development of the oil industry, and the Oil Industry Development Board was set up to coordinate the various development projects to be undertaken for oil development. A sum of Rs. 61 crores from this cess over and above the budgetary support will accrue to this board next year to be used for oil development.

The provisions in the steel sector, particularly for Bokaro and Bhilai expansion, have been fixed taking into account the likely demand for steel. Full provision has been made for completion of the Korba Aluminium Project.

Next year's Plan makes adequate provision for continuing projects for cement production and also for three new projects. The paper mill in Nagaland is being given high priority. Modernisation of textile mills taken over by the National Textile Corporation has also received special attention.

In the Transport and Communications sector, all continuing major ports, shipping, ship-building and aviation projects have been adequately catered for.

Social Services have not been neglected. Increased provision over the revised estimates for this year has been allowed for village and small scale industries, education, health, family planning, housing and urban development, and welfare of backward classes.

As Honourable Members are aware, two schemes, one for compulsory deposit of increases in wages, and 50 per cent of the additional dearness allowance, and another for compulsory deposit of a percentage of the income of income-tax payers, were introduced in July last. These were necessary to counter the serious imbalances created in the economy by the large increases in money supply. We are happy that these measures along with other steps taken to curb inflation, have had a stabilising effect on prices. While it is the continuing concern of the government to curb inflationary trends, it is equally important that development efforts should be sustained and adequate resources provided for investment in the vital areas of the economy. In view of this, it has been decided to take credit for a borrowing of about Rs 100 crores from the Reserve Bank against the likely addition to blocked deposits which takes place in 1975-76.

Taking credit for this amount, the budgetary support of Rs 3612 crores for the 1975-76 Plan will entail a resource gap of Rs. 464 crores. Honourable Members will be keen to know how I propose to deal with this deficit.

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Managing Director

The budgetary deficit

various tax proposals for 5-76 will yield an additional enue of Rs 288 crores out which the share of the states l work out to be Rs 49 res. The additional revenue cruing to the centre will be 239 crores only which will luce the anticipated budge-y gap from Rs 464 crores Rs 225 crores only. The nance minister described is deficit as a modest one d, in his view, because of e improving prospects for the ailability of food, power and el, it was not likely to ac-ntuate the inflationary pres-ire in the economy.

The full text of part 'B' of ie Finance minister's speech illows:

Sir, let me present first my roposals in the field of direct axes. Honourable Members vill recall that the rates of in-ome-tax on personal incomes vere reduced last year on the basis of a recommendation of he Direct Taxes Enquiry Com-nittee. It was expected that this would lead to better tax compliance. I think the policy adopted last year should be given a fair trial. I, accord-ngly, propose not to make any change in the rates of in-come-tax in the case of non-corporate taxpayers.

Basic rate

As present, the basic rate of income-tax in the case of closely-held industrial companies stands at 55 per cent on the first Rs 2 lakhs of taxable income, and 60 per cent on the balance. On the analogy of the rate structure applicable to the widely-held companies, I propose to modify this provision so as to apply the higher rate of 60 per cent on the entire income of such closely-held companies in cases where the taxable income exceeds Rs 2 lakhs. subject, however, to the usual marginal relief. This measure will yield Rs 4 crores in a full year and Rs 3 crores in 1975-76. There will be no change in the rates of income-tax in the case of other categories of companies.

The levy of a tax under the Interest-tax Act, 1974 on interest received by scheduled banks has had the effect of increasing, on an average, the cost of borrowings from scheduled banks by about one per cent. The levy of this tax has, therefore, made the acceptance of deposits by non-banking non-financial companies from the public all the more attractive, specially in the context of the selective credit control measures adopted by the Reserve Bank. Some corrective by way of a disincentive to borrowings from the public by these companies seems to be indicated so that credit planning according to the priorities laid down by the government is not defeated. I propose, therefore, that in computing the taxable income of non-banking non-financial companies, only 85 per cent of the interest paid by them on public deposits will be allowed as expenditure for tax purposes. This measure will yeild Rs 10 crores in a full year and Rs 7.5 crores in 1975-76.

Tax holiday

The tax holiday concession is at present available in respect of industrial undertakings that go into production before April 1, 1976 and ships which are brought into use before that date. I propose to extend the concession in these cases for a further period of five years. This concession is at present available to approved hotels irrespective of the date by which they may start functioning. I find no justification for giving preferential treatment to approved hotels over industrial undertakings and ships. I therefore propose to restrict the concession in the case of approved hotels to cases where these hotels start functioning before April 1, 1981.

At present, dividends declared by companies out of their tax holiday profits are exempt in the hands of shareholders. Experience has shown that this provision is difficult to administer, since any change in the quantum of income of the company distributing dividends requires modification of the assessment of all its shareholders, who may be residing in different parts of the country. I, therefore, propose to withdraw the exemption in respect of dividends paid by companies out of their tax holiday profits attributable to the extended period. Shareholders will, however, not stand to lose, since I propose to increase the quantum of tax holiday profits in the case of companies from six per cent to 7.5 per cent per annum of the capital employed in new industrial undertakings, ships or hotels.

Corporate savings

In order to channel corporate savings into high priority industries, I propose to exempt from income-tax, inter-corporate dividends derived by domestic companies from new companies engaged in the manufacture of fertilisers, pesticides, paper and cement.

As Honourable Members are aware, initial depreciation allowance at the rate of 20 per cent of the cost of machinery and plant is allowed in respect of the priority industries listed in the Ninth Schedule to the Income-tax Act. Having regard to the importance of pesticides to our economy for increasing agricultural production, I propose to extend the benefit of initial depreciation allowance to the pesticides industry also.

As another measure for promoting investment in desired areas, I propose to exempt from wealth-tax for a period of five years investment in equity shares of new companies engaged in priority industries listed in the Ninth Schedule to the Income-tax Act.

Under a provision made in the Finance Act, 1974, development rebate is admissible in respect of ships which were ordered before December, 1 1973 if such ships are acquired before June 1, 1975. In view of the time lag involved in acquiring ships, I propose to extend this concession to ships which will be acquired before January 1, 1977, provided orders for their acquisition were placed before December 1, 1973.

Present concession

Under the existing law, a deduction equal to 20 per cent of the profits and gains derived from the business of publication of books is allowed in computing taxable income. This concession is available for a period of five years ending with the assessment year 1975-76. I propose to extend this concession for another five years.

Our development efforts can be sustained only through promotion of savings. I have, therefore, decided to liberalise the concession currently available under the Income-tax Act in respect of long-term savings through provident funds, life insurance, etc. so as to allow a deduction in respect of 100 per cent of the first Rs 4,000 of the qualifying savings plus 50 per cent of the next Rs 6,000 of such savings plus 40 per cent of the balance. This measure will result in a revenue loss of Rs 8 crores in a full year and Rs 6 crores in 1975-76.

Frequent withdrawals are made from government provident funds. I have, therefore, decided to introduce an incentive bonus scheme to benefit those government employees who do not withdraw any amount from their provident fund accounts during the year. The bonus will be allowed on the subscriptions made during that year and will be calculated at the rate of three per cent for employees drawing pay up to Rs 500 per month and one per cent for employees

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For 36 months and above but less than 61 months	9% p.a.
For 61 months and above	10% p.a.

Interest is payable every half year, on 1st April and 1st October.

Repayment of the deposit amount and interest thereon is guaranteed by the Government of Karnataka.

Minimum deposit amount is Rs. 500 and additional amounts should be in multiples of Rs. 100.

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ng pay above Rs 500 per h.

onourable Members will e that a package of ures has been proposed nproving the investment te, namely, extension of olday, exemption of inter- orate dividends derived new companies engaged gh priority industries, ex- tion from wealth-tax of ty shares in new companies ged in certain priority in- ries, and incentives to ter savings. Despite the re constraint of resources, ve thought it advisable to ose these fiscal incentives in my view, investment in rity sectors has to be en- raged now if we are not to pound our difficulties in future. These fiscal mea- s will reinforce the other sures that the government e taken for encouraging ater production in certain al sectors.

ief to middle class

In order to give some re- to middle class families o have to bear the burden providing higher education their children, I propose to ow a deduction in respect of enses incurred by indivi- als in this regard. In res- ct of children attending gree or post-graduate cour- in medicine, engineering or her technical subjects, the ount of deduction will be 1,000 per child and in res- ct of children attending de- ee or post-graduate courses other subjects or diploma urses in medicine, engineer- g or other technical subjects, e amount of deduction will Rs 500 per child. The new ncession will be available in e case of individuals whose oss total income does not ceed Rs 12,000 per annum d restricted to two children any case. This measure will sult in a reduction of revenue f Rs 7 crores in a full year nd a little over Rs 5 crores 1975-76.

At present, income from vestock breeding and poul- y and dairy farming is exempt rom income-tax. This exemp- ion is prone to abuse by showing income which would otherwise be chargeable to tax as exempt income. I, accordingly, propose to restrict the exemption to Rs 10,000 in a year. This will mean an additional revenue of Rs 2 crores in a full year and Rs 1.2 crores in the financial year 1975-76.

I propose to exempt from income-tax retrenchment compensation paid to workmen under the Industrial Disputes Act or other similar laws up to a maximum of Rs 20,000.

Liberalised provisions

There are at present certain income-tax exemption limits applying to salaried assessees relating to house rent allowance and leave travel concessions. These are being liberalised. Indian technicians employed abroad are also proposed to be given some tax relief.

In order to simplify and rationalise the procedure for assessment of foreign shipping enterprises, the accounts of which are not easily accessible, I propose to provide that the income of such enterprises shall be taken at 7.5 per cent of the aggregate of their gross earnings from traffic originating in India and other earnings received in India. This change is also in line with the practice in some other countries.

At present, contributions made to an approved gratuity fund are allowed as deduction in computing the taxable income. A doubt has been expressed that, under the relevant provisions as presently worded, provisions made in the books of account by taxpayers would also qualify for deduction. This is clearly not the intention. Since the employer continues to have control over these funds, I propose to provide specifically that no deduction for tax purposes will be allowed in respect of such provisions made to provide for future gratuities.

With a view to curtailing ostentatious expenditure in business and professions, I propose to deny depreciation in respect of imported cars which are acquired after February 28, 1975. Simultaneously, I propose to allow full depreciation in respect of indigenous cars, irrespective of their cost.

At present, trees standing on agricultural land do not qualify for exemption from wealth-tax. In order to encourage planting and conservation of trees, I propose to exempt the value of trees standing on agricultural land from wealth-tax, except in respect of orchards and plantations.

Under corporation tax, the full year effect of the proposals is Rs 14.0 crores and the yield for 1975-76 will be Rs 10.5 crores. As a result of the concessions given, there will be a net reduction of Rs 13.0 crores under income-tax in a full year and Rs 9.0 crores in 1975-76. The impact of this reduction in 1975-76 on the central revenues will be Rs 2.26 crores.

Indirect taxes

I now come to my proposals relating to indirect taxes.

While I have had to impose levies covering a wide range of commodities, I have done my best to reduce to the minimum the burden that would fall on the more vulnerable sections of the community. It has also been my endeavour to select items which largely figure in the pattern of consumption of the more affluent sections of society. I have also attempted to select those commodities which are significant in our export efforts so that consumption is thereby reduced in the home market releasing an export surplus which would earn us valuable foreign exchange.

The recent spurt in the

KEY ROLE OF FCI

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FCI THE FERTILIZER CORPORATION OF INDIA LIMITED

price of sugar in the international market provides us an excellent opportunity to increase our exports of this commodity, even at some sacrifice. With a view to reducing consumption of sugar for less essential uses and releasing more quantities for export, I propose that the basic excise duty on free sale sugar may be stepped up from 30 per cent *ad valorem* to 37½ per cent *ad valorem.* I do not propose to make any change in the present effective rate of duty on levy sugar, which now accounts for 65 per cent of the total internal releases, so that the average citizen is assured of his quota of sugar at a reasonable price. The proposed increase in duty on free sale sugar will yield an additional revenue of Rs 30.25 crores.

Khandsari sugar is at present chargeable to a duty of 17.5 per cent *ad valorem.* However, there is a scheme of compounded levy under which khandsari sugar units opting for the scheme pay a fixed sum by way of duty for every week of working, depending on the number and size of the centrifuges used by them. As the compounded levy results in a disproportionately low duty incidence on these khandsari units in comparison with the incidence on regular vacuum pan sugar mills, I propose to withdraw the compounded levy scheme. All the khandsari units will, hereafter, work under the normal central excise procedure and pay duty at 17.5 per cent *ad valorem.* From this proposal I expect to raise an additional revenue of Rs 19.60 crores.

The duty on tea produced in the various zones has remained unchanged for the last five years. Tea prices both in the Indian and London auctions have substantially risen during this period. I, therefore, propose to increase the existing basic duty on loose tea produced in Zones I, II, IV and V by 10 to 15 paise per kg. Tea of Zone III at present bears the highest rate of duty and there is need for giving some relief because of low yield and the high cost of cultivation.

As more than 90 per cent of the tea produced in this zone is exported and since the price increases in respect of these teas have been the least, I propose to reduce the present basic duty for this zone by 10 paise per Kg. Apart from bringing in revenue, the proposed increase in duty on teas of Zones I, II. IV and V will help in making more tea available for export. With a view to ensure that the increase in excise duty on tea does not hit exports, I also propose to raise t
ceiling limit on the quant
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of 75 paise per kilogram
85 paise per kilogram. T
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changes will be an addition
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Cement is another potent
foreign exchange earner, a
for similar reasons, I propo
to step up the basic duty c
cement from 30 per cent
valorem to 35 per cent
valorem. This proposal w
yield an additional revenue
Rs 15.95 crores.

The import of crude pe
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continues to demand a lar
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foreign exchange resource
I feel that so long as energ
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case for making petroleu
products more expensive so

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to promote greater economy and efficiency in their use. Against this background, the duty on motor spirit is proposed to be raised by 10 paise per litre. I also propose to increase the duty on furnace oil to induce replacement of oil-fired equipment by coal-fired equipment. Such a duty will be an added reason to replace obsolescent equipment with modern efficient units, even in installations which continue to use oil. However, taking into consideration its use by various industries, the increase proposed is modest—a litte less than three paise per litre. Low sulphur heavy stock used for electricity generation will, however, continue to be exempt as at present. These levies on petroleum products will together yield an additional revenue of Rs 26.00 crores.

Duty on aluminium

There has been a fall in the proportion of aluminium of electrical conductor grade produced in recent years compared to the commercial grade. Since it is of paramount importance that there should be no shortage of aluminium of electrical conductor grade required by various power systems, I propose to increase by Rs 2000 per tonne the excise duty on commercial grade aluminium thereby providing encouragement for greater production of electrical conductor grade aluminium. The proposed increase in duty on aluminium will yield an additional revenue of Rs 15.00 crores.

I shall now turn to a product on which all Finance ministers have had to rely heavily namely, tobacco and its products. The Tobacco Excise Tariff Committee has recommended a uniform tariff rate for all forms of non-flu-cured unmanufactured tobacco, other than that used for the manufacture of cigarettes, supplemented by a low rate of excise duty on certain specified tobacco products, namely, biris and chewing tobacco sold under a brand name, and snuff. Following the committee's recommendation, I propose to levy a uniform total excise duty of Rs 3 per kilogram on non-flu-cured unmanufactured tobacco other than that used for the manufacture of cigarettes. This will mean a reduction of Rs 1.60 per kg. in the total duty for biri tobacco, and of Re 0·25 per kg. for hookah, chewing and snuff tobacco. However, in the case of stalks I propose to fix the duty at Rs 2 per kg. against the present rate of Re 0.65 per kg.

Tax on bidis

There is already a duty of Rs 3.60 per thousand on biris manufactured with the aid of machines. I now propose to levy a duty of Re 1 per thousand on hand-made biris also, of which 80 paise will be in the form of basic duty and 20 paise in the form of additional excise duty in lieu of sales-tax. For the sake of administrative convenience, this levy will be restricted to biris sold under brand names. The duty on machine made biris will be correspondingly stepped up from Rs 3.60 to Rs 4.60 per thousand. It will be noticed that those smokers who are not unduly discriminaaing and are content with unbranded hand-made biris which bear no excise duty should benefit from the *reduction* in duty on biri tobacco. I also propose to levy a duty of 10 per cent *ad valorem* on chewing tobacco sold under brand names and on snuff. An exemption to the extent of five per cent will, however, be provided in respect of chewing tobacco whose value does not exceed Rs 10 per kg.

If the smokers of branded biris are called upon to pay more, equity requires that those smoking pipes and cigarettes should not be denied the privilege of helping the developmental effort. Accordingly, I propose to raise the effective duty on cigarettes also. The effective basic duty on cigarettes is now 85 per cent *ad valorem*. If value of the cigarettes does not exceed Rs 10 per thousand, and increase by three per cent *ad valorem* for every additional rupee or part thereof in excess of Rs 10 per thousand. This duty will be increased by five per cent *ad valorem* at all price levels except that the ceiling level of basic duty will continue to remain at 250 per cent *ad valorem*. Similarly I also propose to raise the basic effective duty on smoking mixtures by five per cent *ad valorem*. On account of the rationalisation of duty on unmanufactured tobacco there will be reduction of revenue to the extent of Rs 8.25 crores. But the net additional revenue from tobacco and tobacco products will be Rs 26.88 crores.

Both for raising revenues and as a measure of rationalisation I propose to readjust the rates of duty on rayon and synthetic yarns (including blended yarns), and on rayon or artificial silk fabrics. I propose to shift partially the burden of excise duty on artsilk fabrics from the fabrics stage to the yarn stage, since collectio of revenue at the yarn stage i administratively easier an provides fewer loopholes. Th additional excise duty levie on artsilk fabrics in lieu o sales-tax, and the handloo cess, will continue to be levie at the fabric stage; but ther will be no basic excise dut on artsilk fabrics except i the case of those fabrics whos value exceeds Rs 15 per sq metre. This will result in loss of revenue of Rs 22 crores; to neutralise this loss, an to earn additional revenue, propose to increase the dut on rayon and synthetic yarn suitably. I also propose to lev a new duty of Rs 20 per kg on textured yarns in additio to the duty leviable on bas yarn used in their manufacture, and to withdraw th existing concessions on knitted fabrics. No increase i proposed on tyre cord yar and on glass yarn which g into industrial production, an on wastes.

I, propose to raise th

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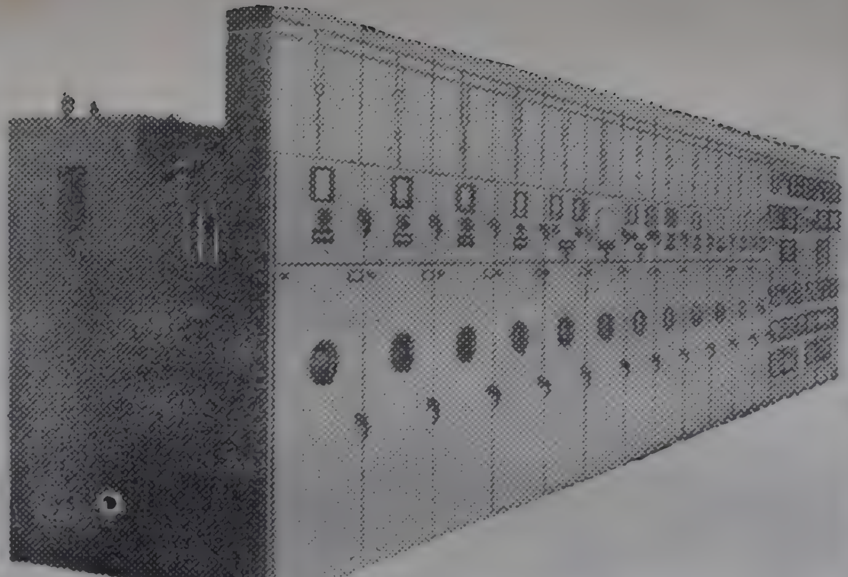
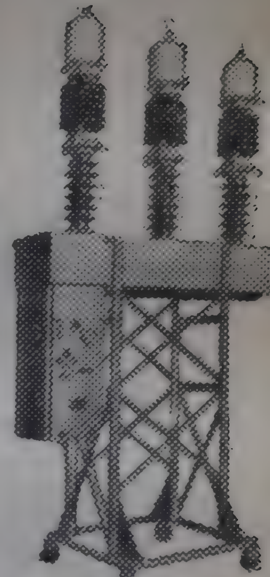
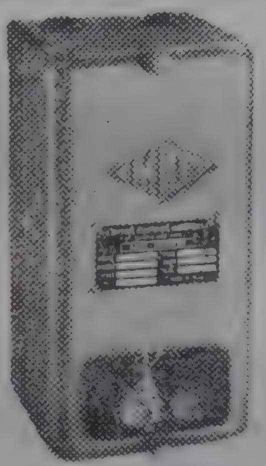


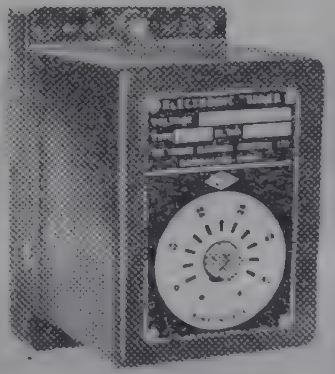
11 KV Switchboard



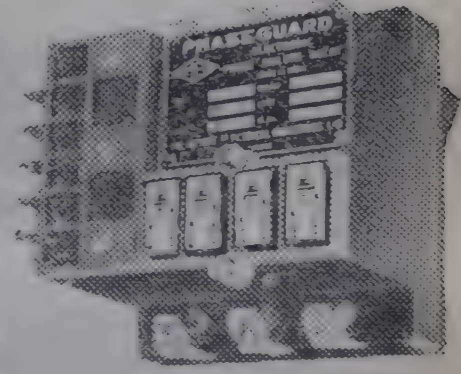
33 KV Circuit Breaker



Direct-on-line Starter

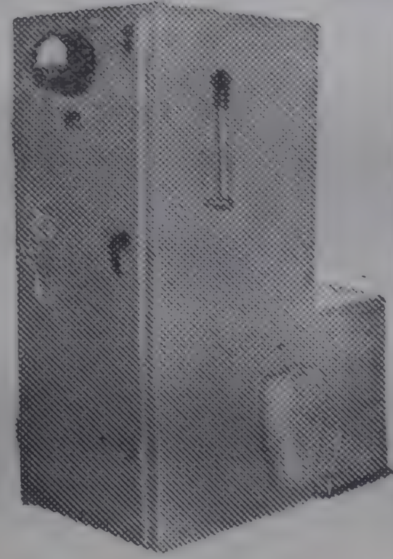


Electronic Timer

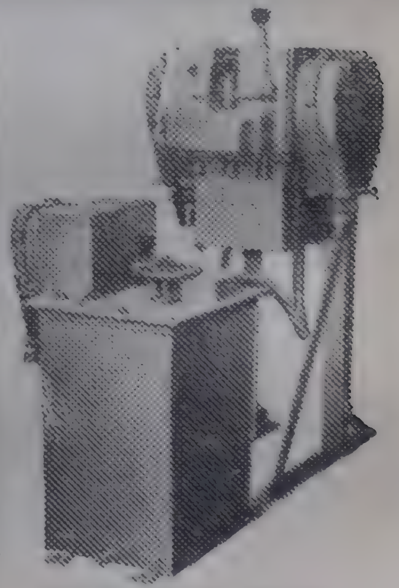


Phaseguard

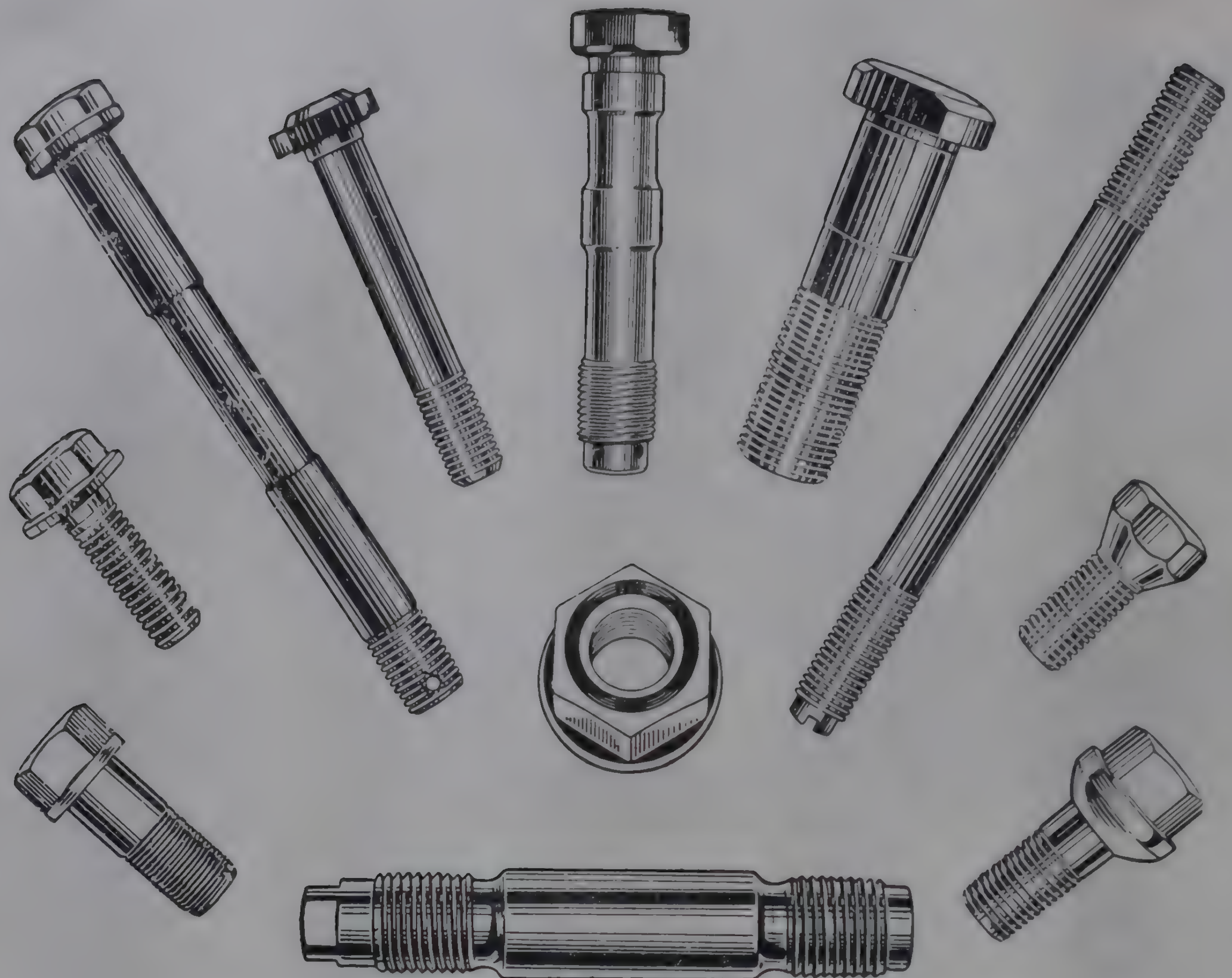
Zero Speed Monitor



Auto Transformer Starter



Slip Ring Motor Starter



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ng duties on superfine ine cotton yarns which used by the composite , by powerlooms, and in osiery and sewing thread rs of the cotton textile stry. As a sequel to in- se in the rates of duty on on yarn I also propose to suitably the rates of pounded levy paid by nposite mills on cotton n and mixed yarn used them. In order that the eases in yarn duty may hit the handlooms, the y on yarn cleared from the ls in the form of strai- reel hanks used mostly the handloom sector is ng kept unchanged.

In 1973 government ap- inted a high powered study m to examine in depth the oblems of the handloom dustry. This body has ob- rved in its report that power- oms are in a position to dercut handlooms in their gitimate market, and has commended that the compounded levy on powerlooms may be fixed at Rs 300 per powerloom per annum irrespective of the number of looms in a unit. The matter has been carefully examined by government and I now propose to increase the compounded levy on powerlooms to Rs 200 per loom per annum on all those units with less than 50 powerlooms each.

There are reports that some mills take undue advantage of existing concessional rates of duty prescribed for clearance of fents and rags. With a view to eliminate this abuse, a two-tier duty structure is proposed to be introduced for cotton fents and rags, the lower level applying to fents and rags cleared up to a prescribed limit, and the higher level, to clearances above that limit. The various proposals on textiles will yield an additional revenue of Rs. 49.10 crores.

Although air conditioners already carry a duty of 75 per cent *ad valorem*, I propose to raise this level to 100 per cent *ad valorem*. I similarly propose to raise the duty on parts of refrigerating and air conditioning plants and machinery from 100 per cent *ad valorem* to 125 per cent *ad valorem*. Duty on refrigerators, and refrigerating machinery and appliances, as well as air coolers, is however being kept unchanged. Parts of refrigerating machinery for cold storage plants, hospitals and factories also will continue to pay the present concessional duty.

I further propose to raise the basic duty on cosmetics and toilet preparations from the present rate of 30 per cent *ad valorem* to 40 per cent *ad valorem*. Since this item also carries an auxiliary duty of 50 per cent of the effective basic duty there will be a total increase of 15 per cent *ad valoram* in the duty. Shampoos will also henceforth pay a basic duty of 40 per cent.

Those blessed by fortune to have enough cash and other valuables with them to necessitate the purchase of safes and strong boxes cannot legitimately complain against my next proposal which is to raise the duty on safes, strong boxes and similar articles from 10 per cent *ad valorem* to 20 per cent *ad valorem*. The combined revenue effect of proposals for increase in duty on air conditioners and parts, comestic and toilet requisites and safes, strong boxes and the like will be Rs 7.65 crores.

As a revenue measure, I propose to increase by five per cent the effective duties on synthetic organic dye-stuffs and synthetic organic derivatives, chinaware and porcelainware, and glass and glassware, except laboratory glassware. I also propose to make some

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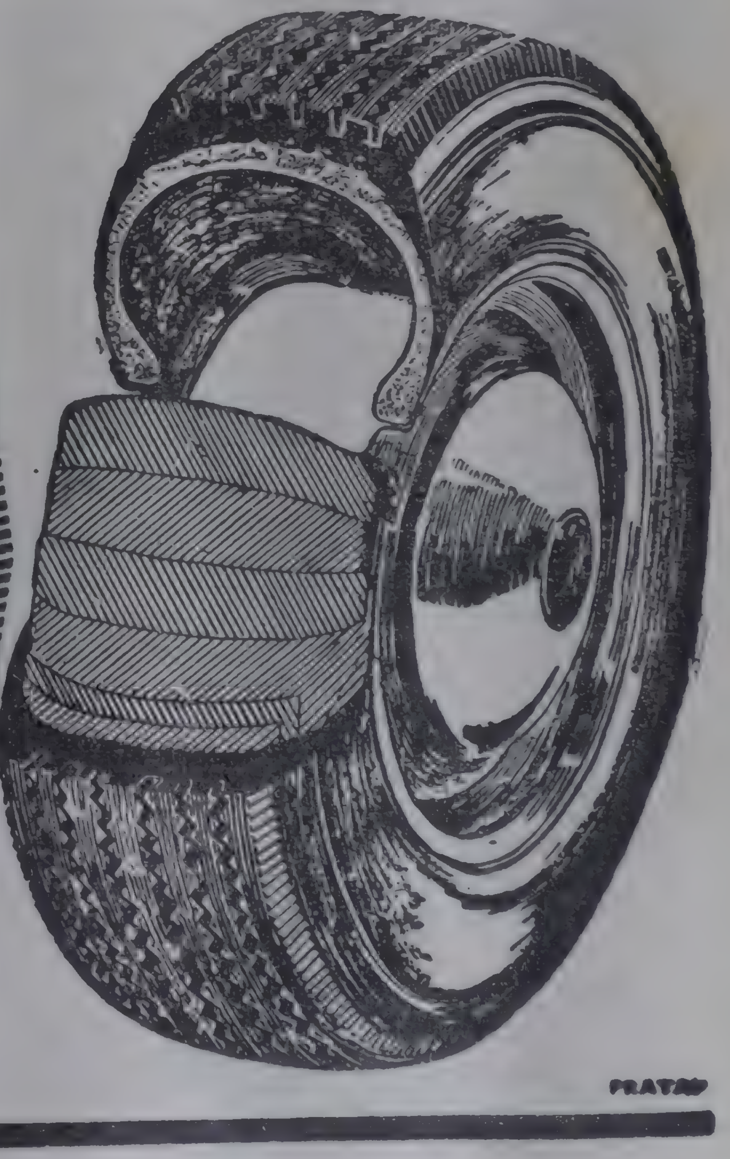

PRATAP

changes in the existing basis for grant of duty concession to small scale manufacturers of chinaware and porcelainware, but these changes will be made effective only from April 1, 1975. My proposals regarding synthetic organic dye-stuffs, glass and glassware and chinaware and porcelainware will yield an additional revenue of Rs 10.20 crores.

I propose to increase the duty on packing and wrapping paper, pulp boards and duplex and triplex boards from 80 paise per kilogram to Rs 1.20 per kilogram. This will yield an additional revenue of Rs 9.80 crores.

I propose to increase the present effective duty on electric wires and cables, excluding those used for telecommunication and high voltage transmission lines, by varying rates ranging between 2½ and five per cent *ad valorem*. I also propose to raise the duty on electric fans marginally, but there will be no increase in the duty on industrial fans. The proposed increases in the duty on electric wires and cables and fans will yield an additional revenue of Rs 4.30 crores.

Tariff on films

Rationalisation of the tariff entries and exemption notifications relating to gramophones, record players, tape-recorders, permanent magnets, vehicular tyres, components of motor vehicles, wool tops, concessions for the use of rice bran oil and minor oils in the manufacture of soap, and of cotton-seed oil in the manufacture of vegetable products has been proposed. I also propose to rationalise the tariff for exposed cinematograph films, and to increase the differential between coloured films on the one hand and black and white films on the other. All these measures will yield an additional revenue of Rs 6.84 crores.

To remove doubts about the meaning of the expression "skelp", I propose to add an explanation at the end of Tariff Item 26AA and to validate past levies, assessments and collections of duty in accordance with this explanation.

As there is a substantial difference between the imported cost of graphite electrodes and anodes and the indigenous cost of production, I propose to levy an excise duty of 15 per cent *ad valorem* on graphite electrodes and anodes. This will yield a revenue of Rs 1.50 crores.

I now come to a new concept in central excise taxation. Hitherto the central excise tariff covered only certain specified goods. With a view to widen the coverage of taxable goods and to provide a more dependable information base for future revenue raising exercises, I propose to introduce a new item in the Central Excise Tariff Schedule which, with a few exceptions, will cover all goods produced for sale or other commercial purpose not elsewhere specified in the schedule. Goods covered under this new item will be chargeable to a nominal duty at the rate of one per cent *ad valorem*. While the tariff item will cover the production of all factories as defined in the Factories Act, 1948, I propose for the sake of administrative convenience to exempt the production of those factories which employ not more than 49 workers in the case of power-operated factories, and not more than 99 workers in the case of non-power operated factories.

Experimental measure

To further simplify the levy, I also propose to exempt from duty intermediate products and component parts falling within this item produced in a factory and consumed within the same factory for the manufacture of finished goods. No countervailing duty will be levied on imported goods corresponding to this new item. This levy is admittedly an experimental measure. I expect that this measure will yield a revenue of Rs 24.00 crores per annum.

The auxiliary duty of excise levied under the Finance Act of 1974 valid up to March 31, 1975 is being continued up to 30th of June, 1976. Mainly on account of the increase in the basic duty proposed on some items there will be additional accrual of auxiliary duty also, estimated at Rs 5.34 crores. This amount, however, has been included in the revenue estimates under the respective items already mentioned.

The total effect of all the above proposals relating to central excise will be an additional revenue of Rs 250.47 crores. Of this the union government's share will be Rs 194.81 crores and the states' share Rs 55.66 crores.

Import duties

I do not propose any revision of the customs tariff rates. But considering the trend of international prices of non-ferrous metals I propose to increase the countervailing duty on copper by Rs 3,500 per tonne and on zinc by Rs 2,125 per tonne. These changes will yield an additional revenue of Rs 24.50 crores.

The increase in central excise duty on certain items which I have proposed earlier will lead to a consequential increase of Rs 9.55 crores in the collection of countervailing duty on imports.

The auxiliary duties of customs levied under the Finance Act of 1974 is being continued up to June 30, 1976 and the effective rates of this levy remain unchanged.

The various proposals which I have made will yield an increase of Rs 34.05 crores in customs revenue.

The yield for 1975-76 for the centre, taking union excise duties and customs duties together will be Rs 228.86 crores.

Before I conclude I should mention a proposal which I am making to raise resources for the benefit of the states and union territories. The rate of central sales-ta
inter-state sales of good
being raised from three per
to four per cent with a co
ponding change in the ce
prescribed in respect of
sales-tax on goods declare
be of special importanc
inter-state trade or comm
As a result of this prop
being made effective
July 1, 1975, the additi
collections for those u
territories whose reve
form part of the Consolid
Fund of India will am
to Rs 1.75 crores in the
1975-76. The states will b
fit to the extent of Rs 3
crores in 1975-76 through
measure.

To sum up, so far as
union budget is concern
the various proposals im
for 1975-76, additional reve
aggregating Rs 239 crores.
budgetary gap of Rs
crores, as indicated ear
will accordingly be se
down to Rs 225 crores.

The budgetary deficit
thus been kept at a mo
level. With the improv
prospects for the availabi
of food, power and fuel,
order of deficit is not likel
accentuate inflationary p
sures in the economy.

Central sales tax

My major concern in
formulation of this bud
has been to stimulate prod
tion by stepping up the p
of investment in areas cru
to the healthy growth of
economy. The effectivenes
the measures proposed
achieving the goals that
have set for ourselves w
however, depend in la
measure on the willingness
the different sections of
community to contribute th
utmost to the common
deavour.

Let us all then, in gove
ment, the legislature and o
side, rededicate ourselves
this national cause at t
juncture and conduct oursel
with that discipline and det
mination which the occasi
demands.

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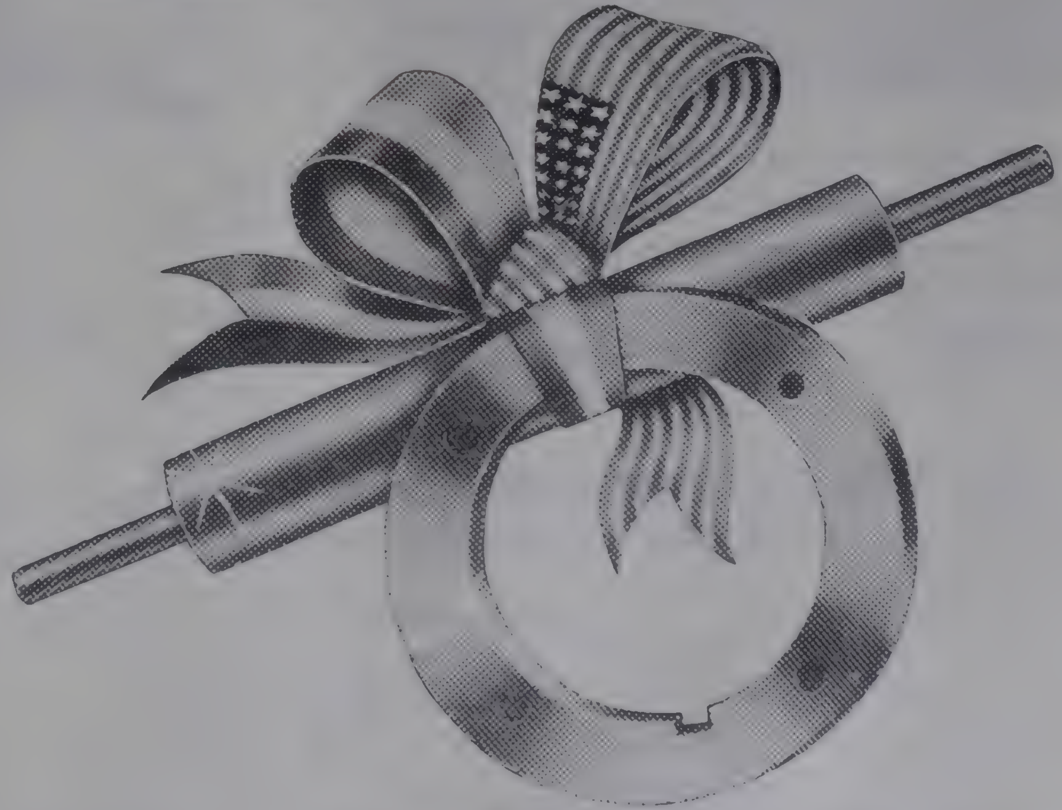

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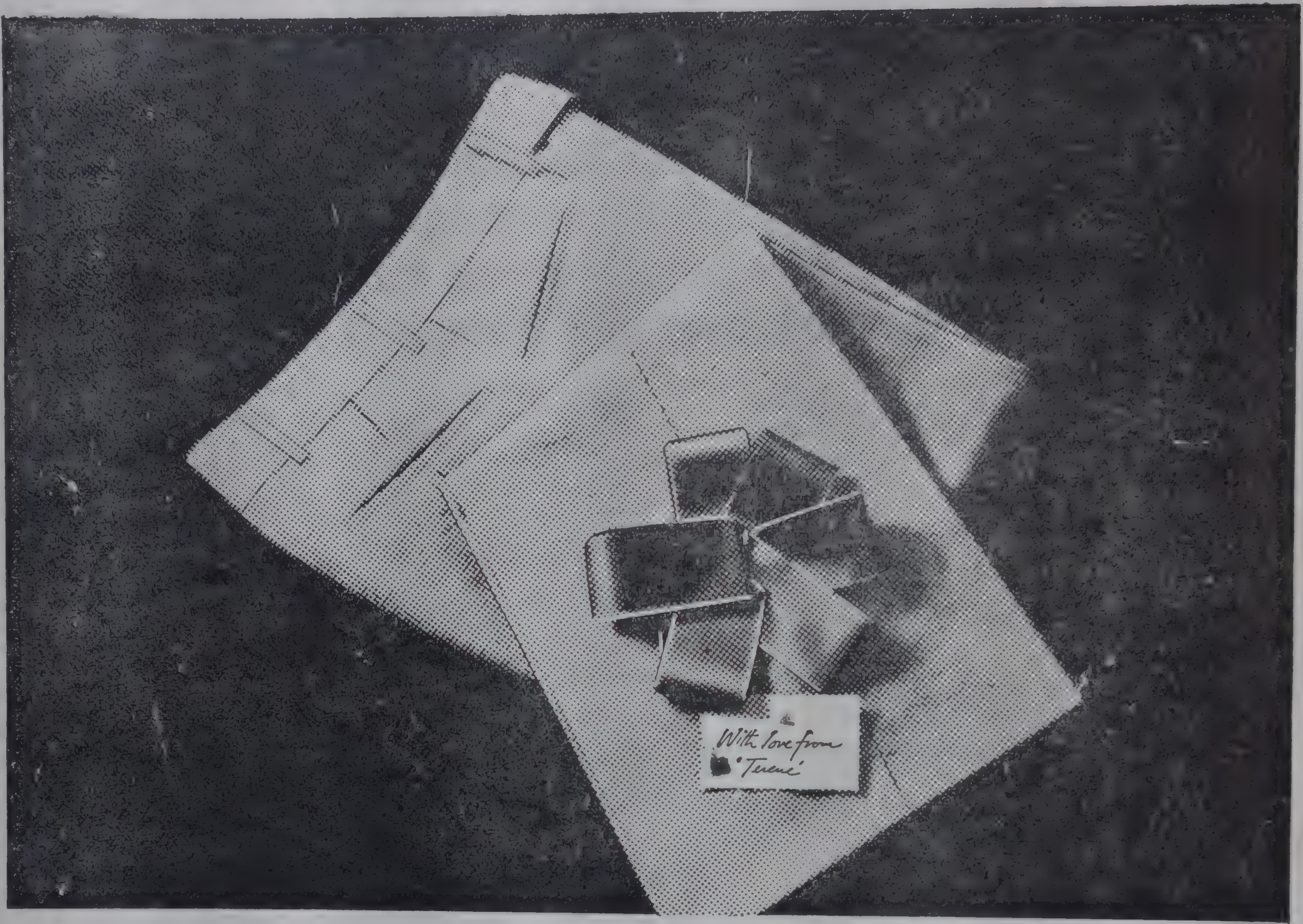

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Budget at a Glance

(In crores of rupees)

	1974-75 Budget	1974-75 Revised	1975-76 Budget
REVENUE RECEIPTS			
ax Revenue	5498	6128	6552 +288*
ess—States' Share of Tax Revenue	1198	1224	1333 +49*
et—Centre's Tax Revenue	4300	4904	5219 +239*
on-Tax Revenue	1340	1581	1656
otal—Centre's Revenue	5640	6485	6875 +239*
CAPITAL RECEIPTS			
oan Repayments	1080	1230	1395
Market Loans (Net)	498	495	325
xternal Loans (Net)	552	595	613
ther Receipts	969	677	1096
Total—Capital Receipts	3099	2997	3429
Total Receipts	8739	9482	10304 +239*
Overall Deficit	126	625	464 —239*
			225

*effect of Budget proposals.

(In crores of rupees)

	1974-75 Budget	1974-75 Revised	1975-76 Budget
REVENUE DISBURSEMENTS			
General Services	1566	1538	1789
Defence Services	1680	1952	2036
Social and Community Services	451	426	482
Economic Services	604	802	956
Grants-in-aid to States etc.	1107	1142	1228
Total Revenue Disbursements	5408	5860	6491
Revenue Surplus	232	625	384 +239*
CAPITAL DISBURSEMENTS			
General Services	25	18	21
Defence Services	235	205	238
Social and Community Services	64	51	61
Economic Services	899	1281	1213
Loans and Advances	2234	2692	2744
Total—Capital Disbursements	3457	4247	4277
Total Disbursements	8865	10107	10768

EASTERN ECONOMIST

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I, R.P. Agarwala, hereby declare that the particulars given above are true to the best of my knowledge and belief

Date: 28th February, 1975.

Sd/- R. P. AGARWALA,
Signature of Publisher.

Details of Revenue Receipts

(In crores of rupees)

	1974-75 Budget	1974-75 Revised	1975-76 Budget
A. Tax Revenue			
Customs	936.05	1300.00	1250.00 +34.05*
Union Excise Duties	3043.81	3184.34	3500.44 +250.47*
Corporation Tax	661.00	713.00	770.00 +10.50*
Income Tax	709.00	747.00	800.00 —9.00*
Estate Duty	9.00	10.00	9.25
Taxes on Wealth	40.00	40.00	43.00
Interest Tax	—	25.00	60.00
Gift Tax	4.00	5.00	4.50
Other Heads	94.75	103.60	114.46 +1.75
Gross Tax Revenue	5497.61	6127.94	6551.65* +287.77*
Less—States' Share of Taxes and Duties	1197.99	1224.41	1332.94 +48.92*
Union Excise Duties	698.10	702.54	774.49 +55.66*
Income Tax	491.26	512.32	550.11 —6.74*
Estate Duty	8.63	9.55	8.34
Net Tax Revenue	4299.62	4903.53	5218.71 +238.85*
B. Non Tax Revenue			
Interest Receipts	862.16	881.80	933.21
Dividends and Profits	190.92	195.12	196.09
Other Non-Tax Revenue	287.28	504.23	527.15
Total Non-Tax Revenue	1340.36	1581.15	1656.45
Total Revenue Receipts	5639.98	6484.68	6875.16 +238.85*

* effect of Budget proposals.

Details of Revenue Disbursements

(In crores of rupees)

	1974-75 Budget	1974-75 Revised	1975-76 Budget
1. General Services	3246.17	3490.11	3824.52
Organs of State	56.90	62.54	84.32
Fiscal Services	114.24	125.42	151.80
Interest Payments	975.13	1022.34	1187.84
Administrative Services	389.09	302.37	333.43
Pensions and Misc. General Services	31.08	25.47	30.79
Defence Services (net)	1679.73	1951.97	2036.34
2. Social & Community Services	450.81	426.01	482.26
3. Economic Services	603.56	801.85	956.22
General Economic Services	137.22	135.91	146.54
Agriculture and Allied Services*	222.31	404.18	427.30
Industry and Minerals	119.94	135.90	231.18
Water & Power Development	52.31	50.62	68.50
Transport and Communications	71.78	75.24	82.70
4. Grants-in-aid and Contributions etc.	1107.34	1142.03	1227.93
Grants-in-aid to State and Union Territory Governments	1046.55	1081.50	1157.99
Aid to other Countries	43.16	44.62	40.16
Other Grants & Contributions	17.63	15.91	29.78
Total Revenue Disbursements	5407.88	5860.00	6490.93

*include food subsidy of Rs. 100 crores (1974-75 Budget) and Rs. 295 crores each in 1974-75 Revised and 1975-76 Budget

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TOTAL RESOURCES as on 31-12-74	exceed	25,82,00,000

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Details of Capital Receipts

(In crores of rupees)

	1974-75 Budget	1974-75 Revised	1975-76 Budget
Market Loans	498.36	494.80	324.88
Gross Borrowings	700.00	696.44*	532.00
Less—Repayments	201.64	201.64	207.12
External Loans	552.47	595.03	612.69
Gross Borrowings	849.79	888.32	928.47
Less—Repayments	297.32	293.29	315.78
3. **Repayment of Loans and Advances**	1080.00	1230.00	1395.00
State and Union Territory Governments	520.00	560.00	685.00
Others	560.00	670.00	710.00
4. Small Savings	360.35	325.40	380.40
5. Provident Funds	118.20	176.60	150.46
6. Other Receipts@	489.64	176.66	564.89
Total—Capital Receipts	3099.02	2997.49	3428.32

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*excludes Rs. 100 crores of *ad hoc* treasury bills converted into dated securities.

@ include Rs 340 crores (1974-75 Budget) Rs 372 crores (1974-75 Revised) for food and oil credits and Rs. 230 crores (1975-76 Budget) for oil credits. 1974-75 Revised estimates also takes into account a shortfall of Rs. 130 crores in recoveries from the Food Corporation of India. 1975-76 Budget takes credit for Rs 100 crores of special borrowing from the Reserve Bank of India against blocked deposits under the Additional Emoluments (Compulsory Deposit) Act, 1974 and the Compulsory Deposit (Income Tax Payers) Act, 1974.

Details of Capital Disbursements

(In crores of Rupees)

	1974-75 Budget	1974-75 Revised	1975-76 Budget
1. **General Services**	259.79	222.49	258.34
Defence Services	235.27	205.03	237.66
Other General Services	24.52	17.46	20.68
2. **Social and Community Services**	63.97	51.35	61.20
3. **Economic Services**	899.37	1281.38	1213.21
General Economic Services	77.26	25.66	68.97
Agriculture and Allied Services*	20.41	299.29	158.77
Industry and Minerals	342.87	488.57	570.53
Water and Power Development	90.28	111.51	92.73
Transport and Communications (Other than Railways and Posts and Telegraphs)	126.19	127.97	121.74
Railways	227.00	213.00	182.50
Posts and Telegraphs	15.36	15.36	17.97
4. **Loans and Advances**	2233.91	2692.10	2743.98
Loans and Advances to State and Union Territory Governments	1040.38	1143.43	1127.61
Loans for Social and Community Services	18.52	16.23	17.66
Loans for Economic Services	881.15	1156.06	1224.54
Advances to Foreign Governments @	236.76	331.84	326.67
Other Loans	57.10	44.54	47.80
Total Capital Disbursements	3457.04	4247.32	4276.73

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* Include Rs 290 crores (1974-75 Revised) and Rs 140 crores (1975-76 Budget) on account of fertiliser transactions.

@ Include Rs 186 crores (1974-75 Budget), Rs 297 crores (1974-75 Revised) and Rs 280 crores (1975-76 Budget) for technical credits under Trade Agreements.

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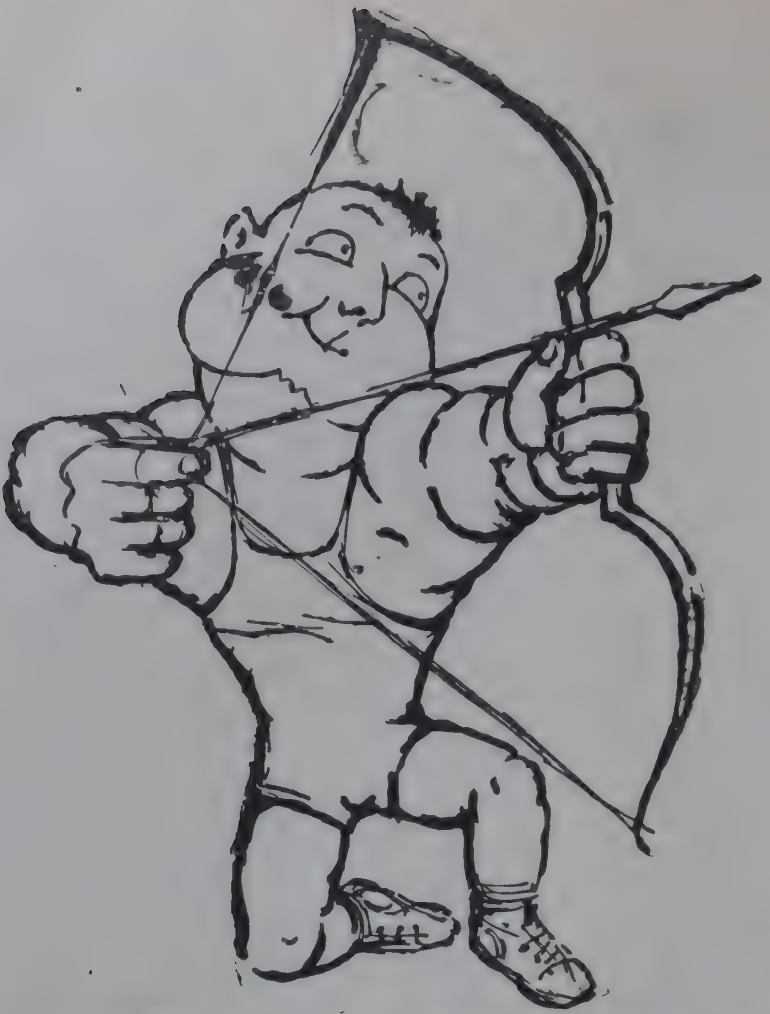

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sources Transferred to State and Union Territory Governments

(In crores of rupees)

	1974-75 Budget	1974-75 Revised	1975-76 Budget
. **States' Share of Taxes & Duties**	1198	1224	1382
Union Excise Duties	698	702	830
Income Tax	491	512	544
Estate Duty	9	10	8
2. **Statutory and Other Transfers**	632	632	662
Grants	528	530	560
Loans	104	102	102
3. **Assistance for Development outside Plan**	372	429	401
Grants	70	61	58
Loans	302	368	343
4. **Assistance for State and Union Territory Plans**	813	890	918*
Grants	247	299	319
Loans	566	591	599
5. **Assistance for Central & Centrally Sponsored Plan Schemes**	270	273	304
Grants	202	191	221
Loans	68	82	83
6. **Total Grants and Loans** (2+3+4+5)	2087	2224	2285
Grants	1047	1081	1158
Loans	1040	1143	1127
7. *Less* Repayment of Loans and Advances	—520	—560	—685
8. Net resources transferred to State and Union Territory Governments (1+6+7)	2765	2888	2982

N.B. The union territory included in the above statement are those which have legislatures.

* In addition, in the Budget for 1975-76, Rs 66 crores are provided for Plan Outlay of union territories without Legislature, Rs 10 crores for Plan Schemes of the North Eastern Council and Rs 60 crores for Rural Electrification Corporation. Thus, the total provision in the Budget for 1975-76 for assistance towards state and union territory Plans as well as those of the North Eastern Council amounts to Rs 1054 crores.

Plan Outlay

(In crores of rupees)

	1974-75	1975-76
1. Central Plan	2055	2558
2. Central Assistance for State Plans	830	963
3. Union Territory Plan provision in the Budget	81	91
4. Total Plan provision in the Budget	2966	3612
5. Extra Budgetary Resources for Central Plan	574	596
6. **Total Central Plan** (1+5)	2629	3154
7. **Central Plan Provision in the Budget**		
General Services	8	9
Social and Community Services	352	355
Economic Services :		
General Economic Services	38	49
Agriculture and Allied Services	216	227@
Industry and Minerals	729	1221
Water and Power Development	99	117*
Transport and Communications	613	580
	2055	2558

@ excludes Rs 43 crores for agricultural cooperatives and cooperative fertilizer factories provided under General Economic Services.

*excludes Rs 40 crores for Rural Electrification Corporation provided as part of central assistance for state Plans.

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Budget Estimates : 1975-76

Receipts next year net of States' share of taxes and duties are estimated at Rs 10543 crores and expenditure at Rs 10768 crores leaving a deficit of Rs 225 crores.

Gross Tax Revenue including the effect of Budget proposals is estimated at Rs. 6840 crores. The Budget proposals are expected to yield Rs. 288 crores. This is made up of Rs. 250 crores under Union Excise Duties, Rs. 34 crores under Customs, Rs. 11 crores under Corporation Tax and Rs. 2 crores under Central Sales Tax, reduced by Rs. 9 crores under Income Tax.

The States' share of taxes and duties taking into account the effect of Budget proposals will be Rs. 1382 crores.

Thus, the net Tax Revenue of the Central Government will be Rs. 5458 crores comprising Union Excise Duties Rs. 2921 crores, Customs Rs. 1284 crores, Corporation Tax Rs. 781 crores, Income Tax Rs. 247 crores, Interest Tax Rs. 60 crores, and other Taxes and Duties Rs. 165 crores.

Non tax revenue including interest and dividend receipts will be Rs. 1656 crores. Market loans are estimated at Rs. 325 crores, External loans Rs. 613 crores and Loan Repayments Rs. 1395 crores. Small Savings and Provident Fund collections together are placed at Rs. 531 crores. Other receipts are estimated at Rs. 565 crores.

Total estimated expenditure of Rs. 10768 crores comprises Development outlay of Rs. 5868 crores (55 per cent), Defence outlay of Rs. 2274 crores, Interest payments of Rs. 1188 crores, Statutory and other transfers to State and Union Territory Governments of Rs. 662 crores and other expenditure of Rs. 776 crores.

Development outlay of Rs. 5868 crores comprises Rs. 3674 crores on Economic Services, Rs. 562 crores on Social and Community Services and Rs. 1623 crores on Transfer to State and Union Territory Governments for development purposes as also Rs. 9 crores of Plan expenditure included under General Services.

Other expenditure of Rs. 776 crores next year constitutes only seven per cent of the total expenditure of Rs. 10768 crores. This item comprises Organs of State including Audit (Rs. 84 crores), Fiscal Services including tax collection (Rs 152 crores), Police (Rs. 175 crores), Aid to other Countries (Rs 87 crores), Miscellaneous Loans (Rs. 48 crores), Pensions and other Retirement benefits (Rs. 22 crores), Public Works (Rs 33 crores) and other General Services (Rs. 175 crores).

Resources transferred to State and Union Territory Governments (Statement VI) include Rs. 1382 crores of States' share of taxes and duties, Rs. 1623 crores for development purposes and Rs. 662 crores as statutory and other grants and loans.

Plan outlay of Rs. 3612 crores (Statement VII) is inclusive of Central Plan outlay (Rs. 2558 crores), Central Assistance for State Plans (Rs. 963 crores) and Union Territory Plan provision (Rs. 91 crores). The Central Plan provision includes substantial allocations to Agriculture (Rs. 270 crores), Industry and Minerals (Rs. 1221 crores), Power (Rs. 140 crores including Rs. 40 crores for the Rural Electrification Corporation programmes in the State sector), Transport and Communications (Rs. 580 crores) and Social and Community Services (Rs. 355 crores).

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SYNTHESIS OF NATIONAL TALENT AND ENTREPRENEURSHIP

Finance Bill 1975 : proposals explained

E TEXT of the official memo-ndum explaining the pro-ions of the Finance Bill given below:—

rovisions Relating to Direct Taxes

The provisions in the inance Bill, 1975 in the phere of direct taxes relate o the following matters:

(i) Prescribing the rates f income-tax (including sur-harge thereon) on incomes iable to tax for the assess-nent year 1975-76; the rates t which income-tax will be leductible at source during 1975-76 from interest (including interest on securities), lividends, salaries, insurance commission, winnings from lotteries and cross-word puzzles and other categories of income liable to such deduction under the Income-tax Act; and the rates for computation of "advance tax" and charging of income-tax on current incomes in certain cases for the financial year 1975-76.

(ii) Amendment of the Income-tax Act, 1961 with a view to raising additional resources; providing greater tax incentive for savings and investments providing for tax relief in certain cases; and a few other matters.

(iii) Amendment of the Wealth-tax Act, 1957 with a view to providing greater incentive for investment in priority industries and making a few other provisions.

(iv) Amendment of the Gift-tax Act, 1958 to remove an existing anomaly.

(v) Amendment of the Finance Act, 1974 with a view to extending the period for continuance of development rebate in respect of ships already on order.

2. The Bill broadly follows the principle (adopted since 1967) that changes in the rates of tax as also other provisions of tax laws should ordinarily be made operative prospectively in relation to current incomes and not in relation to incomes of the past year. The substance of the main provisions in the Bill relating to direct taxes is explained in the following paragraphs.

Income-Tax

I. RATES OF INCOME-TAX IN RESPECT OF INCOMES LIABLE TO TAX FOR THE ASSESSMENT YEAR 1975-76.

3. In respect of incomes of all categories of taxpayers (corporate as well as non-corporate) liable to tax for the assessment year 1975-76, the rates of income-tax under the Bill are the same as were laid down in Part III of the First Schedule to the Finance Act, 1974 for purposes of computation of "advance tax", deduction of tax at source from "Salaries" and retirement annuities payable to partners of registered firms engaged in specified professions and computation of tax payable in certain special cases during the financial year 1974-75. The rates of income-tax (including surcharge thereon) for the assessment year 1975-76 in the case of all categories of taxpayers have been specified in Part I of the First Schedule to the Bill.

II. RATES FOR DEDUCTION OF TAX AT SOURCE DURING THE FINANCIAL YEAR 1975-76 FROM INCOMES OTHER THAN 'SALARIES' AND RETIREMENT ANNUITIES.

4. The rates for deduction of tax at source from incomes other than "Salaries" (i. e.. interest on securities, other categories of interest, dividends, insurance commission, winnings from lotteries and cross-word puzzles, and non-salary income of non-residents) have been specified in Part II of the First Schedule to the Bill. These rates are the same as were prescribed for the purpose in the Finance Act, 1974.

(Long-term capital gains are charged to tax at concessional rates in the case of all categories of taxpayers. Under the existing law, income-tax is, however, deductible from such gains derived by foreign companies at the rates applicable to their ordinary income. A specific provision is proposed to be made in section 195 of the Income-tax Act to secure that income-tax in the case of foreign companies is deducted at source from long-term capital gains at the rates at which such gains are actually chargeable to tax in their hands. This provision has been explained in detail in paragraph 42)

III. RATES FOR DEDUCTION OF TAX AT SOURCE FROM 'SALARIES', COMPUTATION OF 'ADVANCE TAX' AND CHARGING OF INCOME-TAX IN SPECIAL CASES DURING THE FINANCIAL YEAR 1975-76.

5. The rates from deduction of tax at source from "Salaries" in the case of individuals during the financial year 1975-76, and also for computation of "advance tax" payable during that year in the case of all categories of taxpayers, have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for deduction of tax at source during 1975-76 from retirement annuities payable to partners of registered firms engaged in certain professions (chartered accountants, solicitors, lawyers, etc.) and for charging income-tax during 1975-76 on current incomes in special cases where accelerated assessments have to be made, e. g., provisional assessment of shipping profits arising in India to non-residents, assessment of persons leaving India for good during the financial year 1975-76, assessment of persons who are likely to transfer property to avoid tax, etc.

6. The rates specified in Part III of the First Schedule to the Bill in case of all non-corporate taxpayers are the same as those specified in Part I of the First Schedule for the assessment of incomes liable to tax for the assessment year 1975-76.

Under the rate schedule specified in the Finance Act, 1974 for purposes of computation of "advance tax" payable during the financial year 1974-75 in the case of companies, the basic rate of income-tax applicable to closely-held domestic companies which are industrial companies was fixed at 55 per cent of the first Rs 2 lakhs of its total income and 60 per cent on the balance. In other words, in the case of such companies, the concessional rate 55 per cent is applicable to the first Rs 2 lakhs of income even in cases where the total income exceeds that amount. Under the corresponding rate schedule in Part III of the First Schedule to the Bill, the higher rate of 60 per cent will be applicable on the entire income of such companies in cases where the taxable income exceeds Rs 2 lakhs. However, where the total income of such companies exceeds Rs 2 lakhs by a small amount, the income-tax payable will not exceed the aggregate of tax payable on an income of Rs 2 lakhs *plus* 80 per cent of the balance. The rates of income-tax (including surcharge) applicable in the case of other categories of companies for the purpose of computation of "advance tax" payable during the financial year 1975-76 are the same as those specified in Part I of the First Schedule for the assessment of incomes liable to tax for the assessment year 1975-76.

(Clause 2 and the First Schedule)

IV. PROPOSED AMENDMENTS TO THE INCOME-TAX ACT

7. **Tax treatment of income derived from businesses of livestock breeding or poultry or dairy farming.** — Under the existing provisions of the Income-tax Act, income derived from a business of livestock breeding, or poultry or dairy farming is completely exempt from tax. The exemption from tax of such income is not in keeping with the principle of taxing equally persons with equal capacity to pay. This exemption also enables tax evaders to camouflage their taxable income as income derived from these sources and thus helps proliferation of black money. The Bill seeks to restrict exemption in respect of income from live-stock breeding, or dairy or poultry farming to an amount of Rs 10,000 in a year.

8. The proposed change will take effect from 1st April, 1976 and will accordingly apply in relation to the assessment year 1976-77 and subsequent years.

(Clauses 3 (e) 13, 24, (2) (b) and (c)

9. **Deduction in respect of interest paid by non-banking non-financial companies on public deposits.**—As a result of the general policy of credit restraint and enforcement of selective control measures by the Reserve Bank of India, non-banking non-financial companies have been increasingly resorting to acceptance of deposits from the public to meet their financial requirements. The levy of interest-tax under the Interest-tax Act, 1974 on the gross amount of interest recieved by scheduled banks on loans and advances made in India has had the effect of increasing, on an average, the cost of borrowings from scheduled banks by about one per cent. The levy of this tax has, therefore, made the acceptance of deposits by non-banking non-financial companies from the public all the more attractive. In order to ensure that the effectiveness of the monetary policy is not blurred by unrestricted growth of deposits in the non-banking sector, the Bill seeks to provide that 15 per cent of the interest paid by non-banking non-financial companies on deposits received from the public will be disallowed in computing their taxable income.

10. For the purpose of the new provision, moneys received by the company from the central government or any state government or any local authority, as also amounts repayment of which is guaranteed by the central government or a state government will not be regarded as deposits. Moneys borrowed from foreign sources, banking companies, co-operative banks and specified financial institutions and bodies will also not be regarded as deposits. The central government is being empowered to add to the list of such institutions or bodies by notification in the Official Gazette. Intercorporate borrowings, security deposits made by employees, amounts received by way of security or advance from purchasing agents, selling agents, etc. and advances received against orders for the supply of goods for the rendering of services will not be treated as deposits. Likewise, subscriptions to shares, stocks, bonds or debentures pending allotment of such shares, stocks, bonds or debentures as well as calls in advance on shares will not be regarded as deposits.

11. The proposed amendment will take effect from 1st April, 1976 and will accordingly apply in relation to the assessment year 1976-77 and subsequent years.

(Clauses 6(b) and 23)

V. MEASURES FOR PROMOTING SAVINGS AND INVESTMENT

12. **Tax holiday.**—Section 80J of the Income-tax Act provides for a "tax-holiday" concession in respect of profits derived by a taxpayer from an industrial undertaking (including a cold storag plant) newly set up in India The concession is also available in relation to profit derived by an Indian compan from the business of an approved hotel satisfying certai conditions or from plying an ship. The tax holiday concession consists in the exemptio from tax of the profits up t six per cent per annum of th capital employed in the undertaking, hotel or ship for fiv successive assessment year commencing from the assessment year relevant to the accounting year in which the undertaking goes into production or the hotel starts functioning or the ship is first put to use. In the case of industrial undertakings owne by co-operative societies, the period of the tax holiday is seven years. Any deficiency in the six per cent return of capital during the tax holiday period is allowed to be carried forward and deducted from the profits of subsequent years up to a period of eight years from the initial year.

13. Under section 80K of the Income-tax Act, dividends paid by a company out of tax holiday profits derived from a new industrial undertaking or hotel or ship are completely exempt from income-tax in the hands of the shareholders.

14. Under the existing law, in the case of industrial undertakings (including cold storage plants), the tax holiday concession will be available only if the undertaking goes into production or commences operation at any time before 1st April, 1976. In the case of a ship, the concession will apply if the ship is brought into use at any time prior to that date. There is, however, no time limit in the case of a hotel business run by an Indian company.

15. The Bill seeks to extend the concession in respect of profits derived by taxpayers from new industrial undertakings (including cold storage plants) for another period of 5 years. Accordingly, new industrial undertakings going into production or starting operation of cold storage

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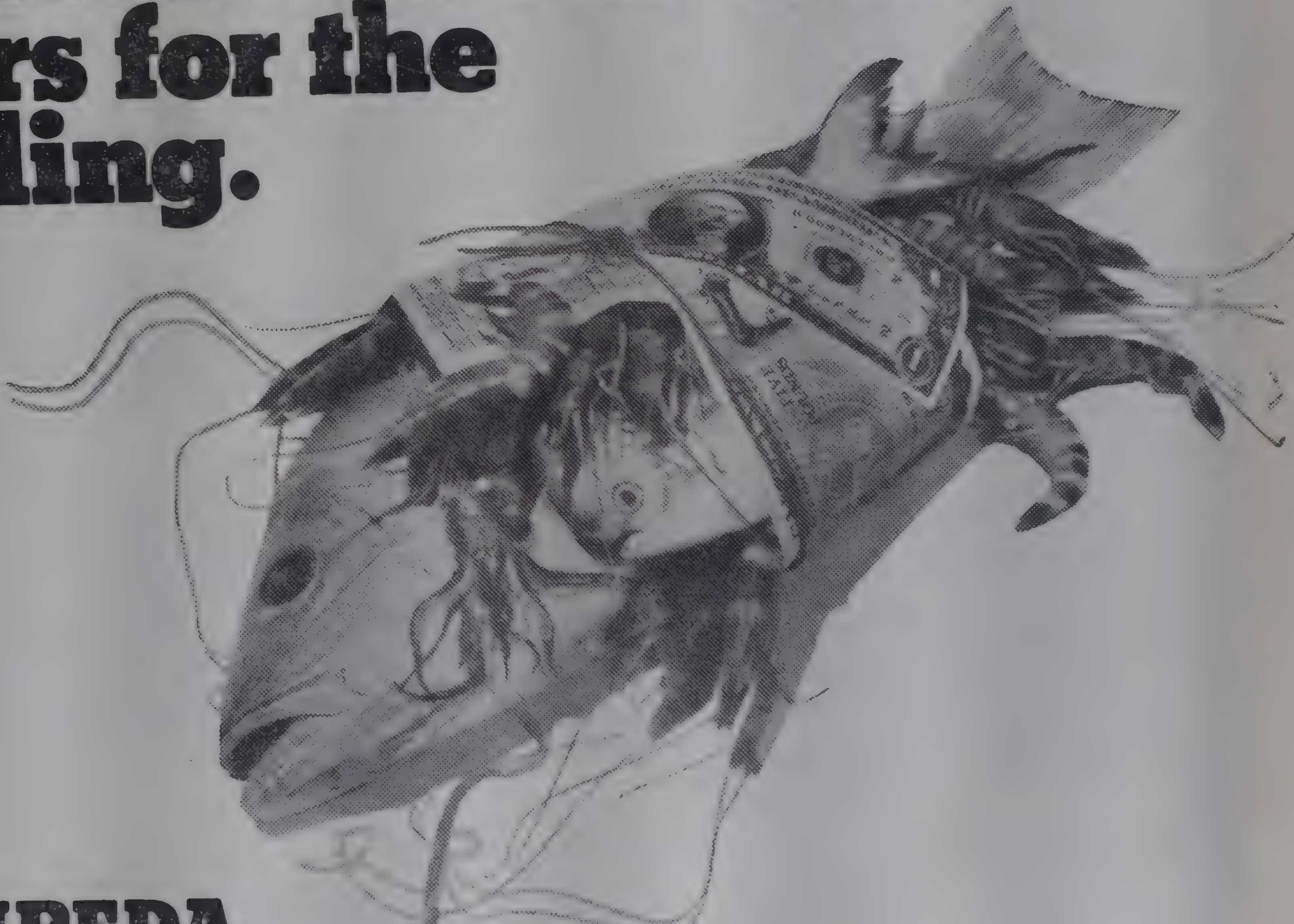

MPEDA
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Government of India
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Century Rayon

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Century Rayon sets an example to other large corporations by its policy of synthesising service to the community, fulfilment of its obligations to the employees, the customers and the shareholders. And yet, you will be surprised, it is making the highest contribution to the national exchequer by way of tax payments as well as foreign exchange savings and earnings.

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a) by providing finance;
b) by giving technical assistance; c) by helping them in marketing.

THE NATIONAL EXCHEQUER:

How much do you think Century Rayon is paying by way of taxes? To the tune of Rs. 8 crores in excise duty and other levies, over and above the income tax paid by the parent company, Century Spinning & Manufacturing Co. Ltd., to the extent of Rs. 7 crores per year.

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Why is it that the Century Rayon Tyrecord is equal to the world's best?
The testimony is constantly rising exports to sophisticated international markets.
The total foreign exchange earning including Rayon Fabrics & Chemicals so far exceeds Rs. 5 crores.

EMPLOYEE WELFARE:

Century's workers are happy because of one of the finest housing colonies provided to them, along with a club house, a cooperative bazar and a credit society.
They enjoy the best educational facilities for their children, consisting of primary and secondary schools and a college for Arts, Science and Commerce. Its medical care is unique, with a full fledged 50 bed hospital, and free medicine.

Recreation, too, is dear to its heart. Vast playgrounds, beautiful swimming pools and gardens, a large library, its own network of roads and water works and, to top it all, one of the finest temples in a sublime atmosphere-all these amenities constantly growing in size and quality.

Century Rayon encourages sports both for the amateur and the seasoned sportsman. Century's sports teams have been winning many a laurel on the playgrounds.

CREATING EMPLOYMENT:

In today's context, Century Rayon's contribution is significant, by providing employment to over 6,000 workers directly, and supporting an entire township dependent on it.

INDUSTRIAL RELATIONS:

What would you say for a record of more than sixteen years of uninterrupted production, without losing a single manhour due to strike or strife? Relations with the employees are exemplary because of a direct, frank and honest rapport with them across the table, without external intervention.

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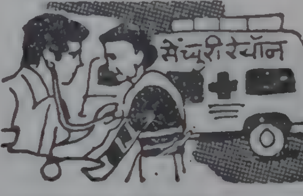

In times of calamities like earthquakes, wars, droughts and floods, Century Rayon has sprung to the call of duty voluntarily extending not only financial help but also providing volunteers and other relief measures.

RESEARCH AND DEVELOPMENT.

Well equipped laboratories and a team of dedicated scientists and technicians ensure the position of leadership for Century Rayon—be it the finest rayon filament yarn or the toughest, improved rayon tyre cord.

HOLDING THE PRICE—LINE AND ENSURING FAIR DISTRIBUTION.

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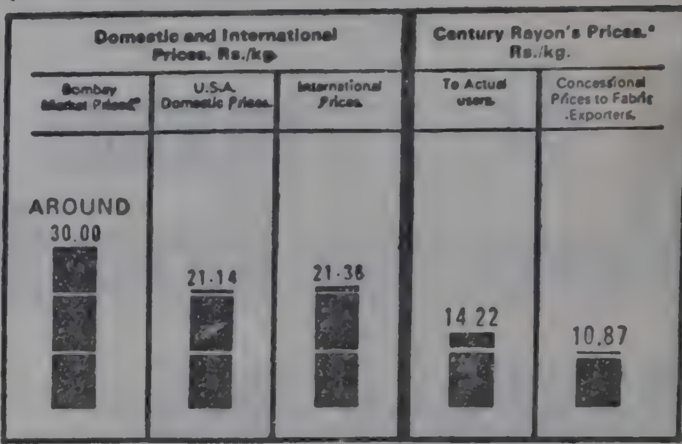
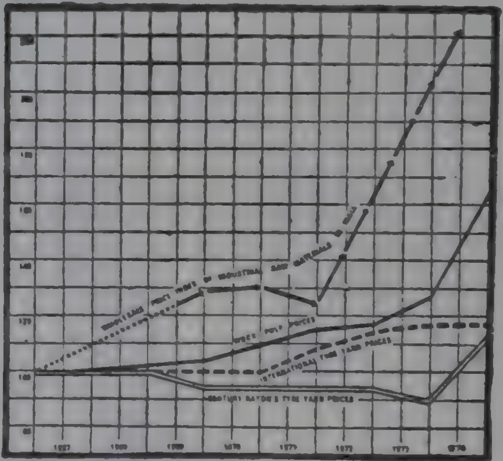


Exclusive of Excise duty

Very rigidly adhering to the Voluntary agreement between Viscose Rayon Spinners and Weavers, Century Rayon is selling approximately 60% of its production directly to Actual Users at the low price of Rs. 14.22 per kg. and an additional 20% directly to exporters of Rayon Fabrics at a substantially low price of Rs. 10.87 per kg.

(2) RAYON TYRE CORD.



Century Rayon has achieved the twin objectives of maintaining the price of Tyre Cord below the international level and supplying directly to Actual Users.

CAUSTIC SODA.

To meet the needs of genuine users in the present acute shortage conditions, Century Chemicals is following a policy of supplying the entire production to Actual Users on the basis of past offtake, at fair prices.

CENTURY RAYON
Industry House, 159, Churchgate Reclamation, Bombay 400 020.

CENTURY CHEMICALS

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ants before 1st April, 1981 ill qualify for the tax holiday oncession. The Bill also eeks to provide that the tax oliday concession in the case f approved hotels will be vailable only in cases where he hotel starts functioning efore 1st April, 1981.

16. The provision relating o exemption of dividends paid y companies out of their tax oliday profits has been found o be difficult to administer. This is because any change in the quantum of income of the company distributing profits requires modification of assessments of all shareholders who may be assessed to tax in different places in different charges. The Bill, accordingly, seeks to withdraw the tax exemption in relation to dividends which may be distributed out of profits derived from new industrial undertakings, hotels and ships which go into production or start functioning or are put to use after 31st March, 1976. In order to compensate shareholders for the loss of exemption in respect of such dividends, the Bill seeks to increase the quantum of tax holiday profits in the case of companies from six per cent to 7.5 per cent per annum of the capital employed in the new industrial undertaking, ship or hotel.

17. The Bill also seeks to make the following modifications in the tax holiday provisions :

(i) Under the existing provision, the concession is not available in the case of a new industrial undertaking if it is formed by the tranfer to a new business of a building (not being a building taken on rent or lease) or machinery or plant previously used for any purpose. However, the transfer of building, machinery or plant previously used for any purpose to the new business to the extent of 20 per cent of the total value of such assets used in the business, does not deprive the undertaking of the tax benefit. Under the Bill, the tax benefit will not be denied in cases where the new industrial undertaking is set up in an old building belonging to the taxpayer. The value of the old building will not, however, be taken into account in computing the capital employed in the industrial undertaking. It is further provided that reconditioned machinery or plant imported from abroad will be regarded as new for the purposes of the relevant provision.

(ii) In a case where the goods held for the purpose of the business of the industrial undertaking or the hotel or the operation of ships are transferred to any other business carried on by the taxpayer, or *vice versa*, and the consideration for such transfer is, in eithe case, not recorded i the accounts of the industrial undertaking o the hotel or the shi at the market value, th profits and gains of the business of the industrial undertaking o the hotel or the operation of ships will b computed as if th transfer had been mad at the market value o such goods. In the case of exceptional difficulty, the Income-tax Officer will be empowered to compute the profits and gains of the industrial undertaking or the hotel or the ship on any other reasonable basis.

(iii) The Bill also provides that where because of close connection between the taxpayer carrying on the business of the industrial undertaking or the hotel

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or the operation of the ship and any other person or for any other reason, more than ordinary profits accrue to the business of the industrial undertaking or the hotel or the operation of the ship. the Income-tax Officer will have the power to determine the reasonable profits that could be attributed to the industrial undertaking or the hotel or the ship for the purpose of determining the tax holiday profits.

In the case of taxpayers other than companies and co-operative societies (which are statutorily required to get their accounts audited), the tax holiday concession in respect of profits derived from new industrial undertakings will not be available unless the accounts of the industrial undertaking are audited by a chartered accountant or other qualified accountant and the taxpayer furnishes along with his return of income, a report of audit in a form to be prescribed in the Income-tax Rules.

(Clauses 12 and 14)

18. **Tax treatment of inter-porate dividends**—Under the sting law, dividends derived companies (including fore- companies) from domestic npanies are taxed on a consional basis. Where the npany receiving dividends a foreign company, a deducn in an amount equal to 65 r cent of the dividend inme is allowed in computing taxable income. Where the cipient company is a domes- company, the deduction owed is equal to 60 per cent such dividends. The reainder of the dividend inme, after allowing the deducon as aforesaid, is subjected tax at the rate applicable the total income of the mpany. As a result, the fective incidence of income tax on the dividend income of a company is as under:

(a) where the recipient is a foreign company
25.725 per cent

(b) where the recipient is a domestic company—

(i) in the case of a widely-held company 23.1 per cent

(ii) in the case of a closely-held company which is not an industrial company 27.3 per cent

Where the recipient is a closely-held industrial company, the effective rate of tax will depend upon whether or not its income exceeds Rs 2 lakhs.

19. In order to encourage investment of corporate savings in high priority industries, the Bill seeks to provide for complete exemption of dividends received by domestic companies from companies formed and registered under the Companies Acts, 1956 after 28th February, 1975 and engaged exclusively or almost exclusively in the manufacture or production of fertilisers; pesticides (basic pestidal chemicals and formulations preprepared therefrom by the manufacturing company itself); paper, pulp and newsprint: and cement.

This amendment will take effect from 1st April, 1976 and will, accordingly, apply in relation to the assessment year 1976-77 and subsequent years.

(Clause 15)

20. **Inclusion of 'Pesticides in the Ninth Schedule.**—Under the existing law, initial depreciation in an amount equal to 20 per cent of the actual cost of machinery or plant installed by a taxpayer for the purposes of business of generation or distribution of electricity or any other form of power or of construction, manufacture or production of the articles or things specified in the list in Ninth Schedule to the Income-tax Act is allowed as deduction in the year in which such machinery or plant is installed by the taxpayer. The deduction is also admissible in respect of new ships and aircraft acquired by a taxpayer who is engaged in the business of operation of ships or aircraft. Machinery or plant installed in small scale industrial undertakings for the purpose of business of manufacture or production of any articles or things also qualifies for this allowance.

21. The Bill seeks to add "Pesticides" to the list in the Ninth Schedule to the Income-tax Act with effect from 1st April, 1976. The effect of this amendment will be that machinery or plant installed for the purpose of business of manufacture or production of pesticides will also qualify for initial depreciation allowance for the assessement year1976-77 and subsequent years. The concession will also be available in respect of machinery or plant used for preparing formulations of pesticides in cases where the basic pesticidal chemicals from which these formulations are prepared are manufactured by taxpayer himself.

(Clause 22)

22. **Deduction in respect of long-term savings through specified media.**—Under an existing provision of the Income-tax Act, tax relief is allowed in respect of long-term savings effected by certain categories of taxpayers out of their taxable income. In the case of an individual long-term savings through life insurance or deferred annuity policies (without cash option on the life of the individual) his spouse or child; certain provident funds and superannuation funds; Unit-linked Insurance Plan and 10-Year and 15-Year Cummulative Time Deposit Accounts qualify for tax relief. In the case of Hindu undivided families, long-term savings effected through insurance policies on the life of any member of the family qualify for tax relief. In the case of taxpayer being an association of persons or body of individuals consisting only of husband and wife governed by the system of community of property in force in the union territories of Dadra and Nagar Haveli and Goa, Daman, and Diu, long-term savings through

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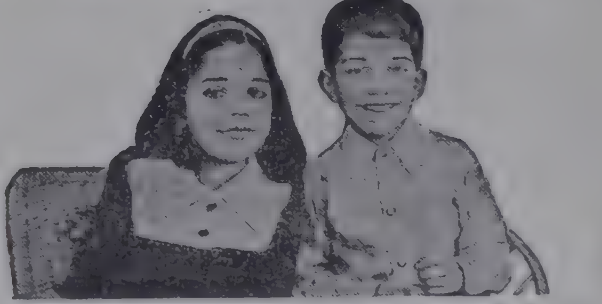

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taxable income of the
payer.

23. With a view to providing
further incentive for effecting
ng-term savings, the quantum
the deduction in respect of
ng-term savings is proposed
be increased so as to allow
deduction of the whole of
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lus 40 per cent of the
alance.

24. Changes set forth in the
receding paragraphs will take
ffect from 1st April, 1976 and
vill, accordingly, apply for
he assessment year 1976-77
nd subsequent years.

(Clause 10)

Other Tax Concessions

25. **Extension of tax concession to the book publishing Industry**—Under section 80QQ of the Income-tax Act, any person carrying on a business of printing and publication of books, or only publication of books without the activity of printing, is entitled to a deduction in the computation of his taxable income in an amount equal to 20 per cent of the profits from such business. The deduction is currently available for five assessment years ending with the assessment year 1975-76. With a view to providing continued encouragement to this industry in India, it is proposed to extend this tax concession for a further period of 5 assessment years, i.e., up to the assessment year 1980-81.

(Clause 16)

26. **Exemption in retrenchment compensation paid to workers**.—Under the existing provisions of the Income-tax Act, retrenchment compensation received by workmen is chargeable to income-tax. However, in recognition of the fact that such compensation is received over and above the normal salary income of the year, the Income-tax Act provides, for the taxation of such compensation on a concessional basis. As retrenchment compensation is paid to workmen to enable them to tide over their period of unemployment, the payment of income-tax on such compensation, albeit on concessional basis, is likely to add to their hardship. With a view to removing this hardship, the Bill seeks to make a provision in the Income-tax Act for the exemption of retrenchment compensation received by a workman under the Industrial Disputes Act, 1947 or under any other Act or under any rule, order or notification issued under any law, as also retrenchment compensation received by a workman under any award, contract of service or otherwise. The exemption under the proposed provision will be limited to the amount calculated in accordance with the provisions of section 25F (b) of the Industrial Disputes Act, 1947, or Rs 20,000, whichever is less.

27. Section 25FF of the Industrial Disputes Act provides for payment of compensation to a workman at the time of the transfer (whether by agreement or operation of law) of the ownership or the management of the undertaking in which he is employed, in certain circumstances. Under the provisions of section 25FFF of that Act, a workman is also entitled to receive compensation at the time of the closing down of the undertaking in which he is employed. Compensation received by a workman in such cases

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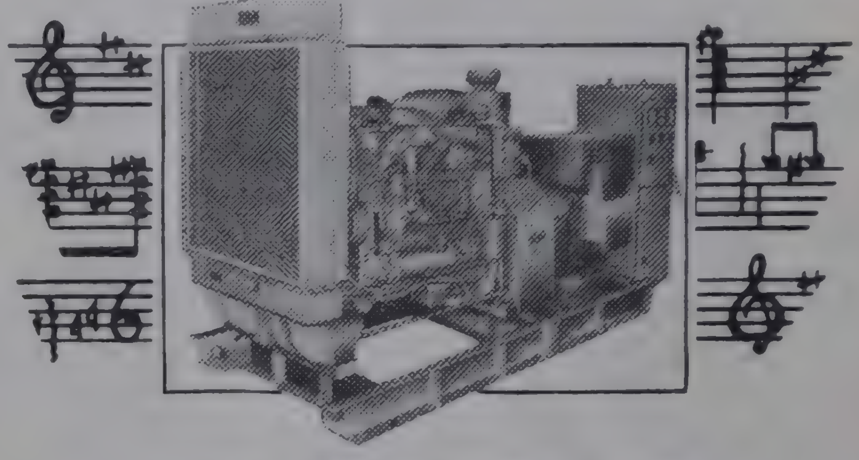

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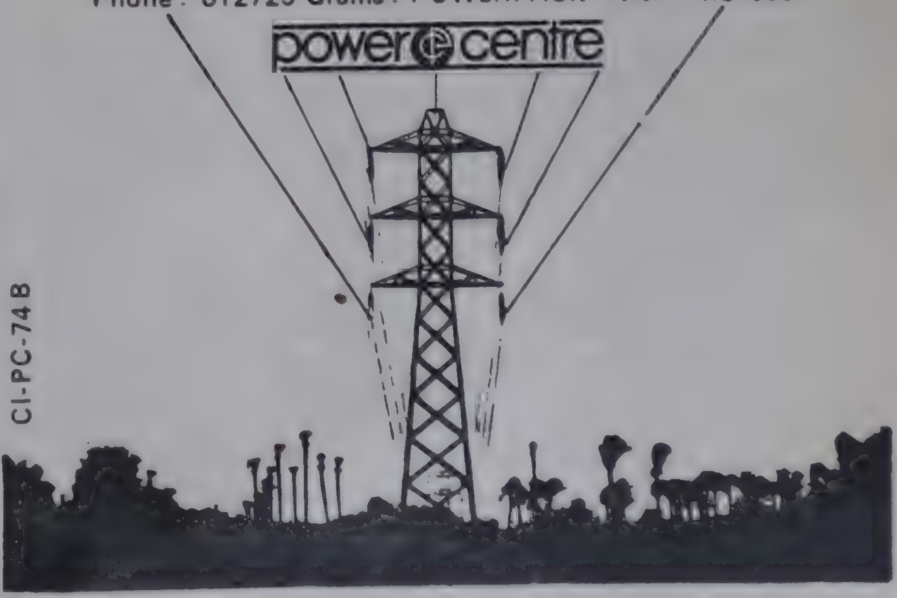

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(whether under the provisions of the aforesaid Act or otherwise) will also be exempt from tax to the same extent as compensation received on retrenchment.

28. The proposed provision will take effect from 1st April, 1976 and will accordingly apply in relation to the assessment year 1976-77 and subsequent years.

((Clause 3(b) & 24(2)(a))

29. **Deduction in respect of expenses on higher education in certain cases.**—With a view to providing some tax relief to middle class families who incur expenditure on higher education of their dependant children, the Bill seeks to make a provision in the Income-tax Act for allowing a deduction in respect of such expenditure. The deduction will be allowed only in the case of Indian citizens whose "gross total income" does not exceed Rs 12,000. Where the child of the taxpayer is studying for a degree or post-graduate course in medicine (including surgery and obstetrics) architecture, engineering or technology, a deduction of Rs 1,000 will be allowed in computing the taxable income of the taxpayer. Where the child is studying for a diploma course in these subjects or for any other degree or post-graduate course, the taxpayer will be allowed a deduction of Rs 500. In cases where the taxpayer has incurred expenditure on the education of more than two children, the deduction under the proposed provision will be allowed only with reference to two such children as may be chosen by him.

30. The proposed provision will take effect from 1st April 1976 and will accordingly apply in relation to the assessment year 1976-77 and subsequent years.

(Clause 11)

31. **Tax relief in respect of remuneration received from foreign employers by Indian technicians etc.**—At present Indian technicians, etc. who work for a short period during a financial year with a foreign government or a foreign enterprise are liable to Indian tax if they remain "resident in India" for tax purposes in that year, on the whole of the remuneration received by them from the foreign employer, without any allowance in respect of expenditure incurred by them out of such remuneration for meeting higher living cost and other essential expenditure in foreign countries. To relieve this hardship, the Bill seeks to make a provision in the Income-tax Act for allowing a deduction in the computation of the taxable income, of 50 per cent of the remuneration received by them from a foreign government or a foreign enterprise or any association or body established outside India.

In the case of the central or state government employees, this tax concession will be available in cases where the service outside India is sponsored by the central government and in the case of others, the tax concession will be available only if the person concerned is a "technician" and his contract of service with the foreign employer is approved by the central government or by any other authority which may be prescribed in this behalf. For the purposes of this provision, a person will be regarded as a "technician" if he possesses specialised knowledge and experience in specified fields or such other fields as may be prescribed in this behalf, and is employed by the foreign employer in a capacity in which such specilised knowledge and experience are actually utilised. In cases where the Indian deputationist renders continuous service abroad for more than thirty-six months, the remuneration received by him for any period of service after the expiry of the said thirty-six months, will not qualify for deduction under the prop provision.

The new provision will effect from 1st April, and will accordingly appl relation to the assessn year 1975-76 and subseq years.

(Clause

33. **Increase in the cei limit in respect of house rent owance exempt from inco tax**—Section 10(13A) of Income-tax Act exempts fr income-tax, subject to ceiling limit of Rs 300 month, any allowance sp fically granted to an emplo by his employer to meet penditure actually incur on payment of rent for r dential accommodation oc pied by the employee. exemption in individual c is restricted to the amo calculated in accordance w rule 2A of the Income- Rules. In pursuance of recommendation made by Third Central Pay Comm sion, the ceiling limit in pect of house rent allowa payable to government ployees has been raised fr Rs 300 per month to Rs per month. As a logical rollary to this, the ceil limit of Rs 300 per mo laid down in section 10(1. of the Income-tax Act is p posed to be raised to 400 per month.

34. The proposed amendm will take effect from 1st Ap 1975 and will accordingly ply in relation to the ass ment year 1975-76 and sul quent years.

(Clause 3

35. **Liberalisation of the exer tion in respect of the va of travel concession or as tance received by Ind citizens.**—Section 10(5) of Income-tax Act exempts fr tax the value of any tra concession or assistance rec ved by an Indian citizen fr his employer for himself, spouse and children in c nection with his proceed to any place in India on le or after retirement or ter nation of his service. Wh the person proceeds to home district in India,

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n cases where the per- goes to any other place in a, the exemption from tax vailable only to the extent he amount which he would e received in connection h his proceeding to his ne district in India. In suance of the recommenda- n made by the Third Cent- Pay Commission, the tral government has modi- l the relevant rules appli- ble to its employees by owing them to avail, once a block of four years, leave vel concession for journeys any place in India.

As a logical sequel to is decision, it is pro- sed to make a pro- sion in the Income-tax Act npowering the Central Board Direct Taxes to frame rules ying down the cases in which nd the circumstances in hich the entire amount of avel concession or assistance ceived by salaried taxpayers r journeys to a place other nan their home district will lso be exempted from income x. The intention is that the roposed rules will be broadly n the lines of the conditions aid down by the Central Government for the grant of eave travel concession to its mployees.

36. In pursuance of the recommendation made by the Third Central Pay Commission, the central government has also enlarged the concept of "family" for the purpose of the leave travel concession granted to its employees. In line with this liberalisation, it is proposed to provide that the exemption under section 10(5) of the Income-tax Act in respect of the value of the travel concession or assistance received by an employee will also be available in respect of journeys performed by the parents, brothers and sisters of the employee, living with and dependent on him.

37. The proposed amendment will take effect from 1st April 1975 and will accordingly apply in relation to the assess, ment year 1975-76 and subsequent years.

(Clause 3(a))

38. Modification of the provision relating to the grant of development allowance for tea industry.—The tea industry is entitled to a deduction, in the computation of the taxable profits, of a development allowance at a specified percentage of the actual cost of planting or replanting tea bushes.

Under the existing provision, this tax concession is allowed only in respect of tea bushes planted on land owned by the taxpayer. It has been represented that very often the land on which tea bushes are planted is not owned by the taxpayer but is held by him as a leaseholder in perpetuity from the state government.

As it will not be justifiable to deny this tax concession on the technical consideration that the land on which tea bushes have been planted is not owned by the taxpayer, but is held on lease, it is proposed to make a retrospective amendment in the law from 1st April, 1965 that is, the date from which this tax concession was introduced in the Income-tax Act, to secure that a taxpayer who carries on the business of growing and manufacturing tea in India will be entitled to claim development allowance even in respect of tea bushes planted on land in respect of which he holds any lease or other right of occupancy.

39. Under the existing law, the tax concession by way of development allowance is withdrawn, *inter alia* in cases where the land on which tea bushes have been planted is sold or otherwise transferred by the taxpayer within a specified period. It is proposed to provide that development allowance granted to the taxpayer will be similarly withdrawn in cases where the leasehold or other right of occupancy in respect of the land on which tea bushes

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have been planted is transferred by the taxpayer within the specified period.

(Clauses 5 and 24(1))

Other Amendments

40. **Relaxation of provision relating to taxation of capital gains on national basis in certain cases.**—Section 52(2) of the Income-tax Act provides that if, in the opinion of the Income-tax Officer, the fair market value of a capital asset as on the date of its transfer exceeds the full value of the consideration as declared by the taxpayer, by an amount not less than 15 per cent. of such declared consideration, the capital gains in respect of such asset shall be computed with reference to its fair market value.

This provision has been made with a view to countering the avoidance or reduction of capital gains tax by understating the consideration actually received. A doubt has been expressed that these provisions may apply even in cases where the capital asset is transferred to the government or the consideration for the transfer has been determined or approved by the central government.

With a view to removing uncertainty in the matter, the Bill seeks to provide that the provisions of section 52(2) of the Income-tax Act will not apply in cases where a capital asset is either transferred to the government or where the consideration for the transfer of the capital asset is determined or approved by the central government or the Reserve Bank of India, if the consideration so determined or approved is not questioned by the taxpayer.

41. The proposed amendment will take effect from 1st April, 1974 and will accordingly apply in relation to the assessment year 1974-75 and subsequent years.

(Clause 9)

42. **Rationalisation of the provisions relating to deduction of tax at source from long-term capital gains in the case of non-residents.**—According to the rates of tax currently in force, income-tax is required to be deducted at source at the rate of 73.5 per cent in respect of capital gains arising to foreign companies, i.e., the rate at which foreign companies are required to pay tax in respect of their ordinary income.

Long-term capital gains (i.e., gains arising from the transfer of a capital asset which is held by the taxpayer for a period of more than sixty months prior to the date of transfer) are, however, chargeable to tax at concessional rates. In the case of companies (including foreign companies), long-term capital gains relating to buildings or lands or any rights therein are chargeable to tax at the rate of 55 per cent. [A lower rate of 47 per cent is applied in the case of widely-held domestic companies having taxable income (other than long-term capital gains) not exceeding Rs. 1 lakh.]

Long-term capital gains relating to other assets are chargeable to tax at the rate of 45 per cent in the case of all companies. The effect of the existing provisions in the law, therefore, is that whereas income-tax is deducted at source from the income by way of long-term capital gains arising to foreign companies at the rate of 73.5 per cent, the long-term capital gains are actually taxed on regular assessment at much lower rates. This leads to the anomalous position that the tax collected at source at a higher rate is required to be refunded on assessment. In order to remove this anomaly, the Bill seeks to make a provision in the Income-tax Act to the effect that, in the case of foreign companies, income-tax will be deducted at source from long-term capital gai at the appropriate rate which such income is charg able to tax on regular asses ment.

43. This amendment w take effect from 1st Apr 1975.

(Clause 2

44. **Curtailment of time lin for making an order under se tion 104 levying income-tax undistributed income of certa companies.**—Under section 1(of the Income-tax Act, closel held domestic companies ar required to distribute a amount equal to the "statu tory percentage" of their di tributable income as dividenc within a period of twelv months from the end of th accounting year. If the distri bution of dividends falls shor of the minimum amount or i no dividends are distributed the company becomes liabl to pay additional income-ta at the specified rate on th whole of its undistributed in come.

45. Under section 106 o the Income-tax Act, an orde levying additional income-ta is required to be made befor the expiry of *four* years fron the end of the relevant assessment year or the expiry of *on* year from the end of the financial year in which the assessment for the relevant assessment year is made, whicheve is later. Under an amendmen made in the Income-tax Ac by the Finance Act, 1968, the time limit for completion o regular assessments now stands reduced to two years from the end of the relevant assessment year, as against four years previously. In view o this position, the Bill seeks to reduce the period of limitation in relation to orders to be made under section 104 of the Act for the assessment year 1975-76 and subsequent years, from *four* years to *two* years from the end of the relevant assessment year.

(Clause 18)

46. **Deduction in respect of reserves created or provisions made for payment of gratuity**

MARCH OF KARNATAKA

Karnataka region, which lay scattered under several administrations, was brought together to form a new State in 1956 and assumed the historic name of Karnataka only a year ago. The State is endowed with rich natural resources. A number of schemes of development have been launched to exploit these resources.

In the field of agricultural production, the State has been able to double its production, particularly in foodgrains. Similarly, sugar cane, oil seeds and other agricultural productions have increased. Thanks to the numerous irrigation projects taken up, the total irrigational area has gone up from 7.4 lakh hectares in 1956-57 to 17 lakh hectares in 1973-74.

The State has always been a pioneer in development of power resources. Kalinadi Project, one of the biggest in Asia, has recently been launched. It would add 910MW by the end of 1978 and double the power output of the State.

In Industry, the State has made noteworthy progress. In 1956, only 1,635 factories were working and today, the number has risen to 4,000. Mysore Silk enjoys international reputation and the State produces 80% of Silk in the country. Recent introduction of Bi-Voltine species is going to revolutionise Sericulture Industry in the State.

Expenditure on Social Service account for 30% of the total revenue of the State.

In 1956, only 207 hospitals and dispensaries existed. But to-day, there are as many as 10,500 hospitals and dispensaries.

In recent years, Government has set up various Financial Corporations to obtain and mobilise financial resources to bolster up industries by providing technical and administrative know-how in addition to finances.

Those who have still remained below the poverty line, have not reaped the fruit of development and progress to the extent they should. For achieving this end, it is necessary to undertake effective socio-economic measures. In this direction, the State has already gone ahead. Apart from several new measures for the uplift of backward sections of the society, the State Government has distributed nearly 2,80,000 house-sites among the weaker sections, of which 90,520 have been distributed to Scheduled Castes and Scheduled Tribes.

The Land Reforms Legislation, as recently amended, opens a new era. In fact, it puts an end to the era of landlordism.

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Govt. of Karnataka. Bangalore.

employees.—Under section l)(v) of the Income-tax , a deduction is allowed, in nputing the taxable profits gains of a business or prosion, in respect of any sum d by the taxpayer as an emyer by way of contribution vards an approved gratuity nd created by him for the clusive benefit of his empyees under an irrevocable ıst.

Further, section 37(1) prodes that any expenditure, her than the expenditure of e nature described in secons 30 to 36, laid out or exnded wholly or exclusively r the purpose of the busiss or profession will be lowed as deduction in comting the taxable profits. A ıding of these two provisions early shows that the intenon has always been that deıction in respect of gratuies should be allowed either the year in which the graity is actually paid or the year in which contribuons are made to an approvl gratuity fund. A doubt has een expressed that the releınt provisions, as presently worded, do not secure the underlying objective and that a provision made by a taxpayer in his accounts in respect of estimated service gratuity payable to employees will be deductible in computing the taxable income in a case where the provision has been made on a scientific basis in the form of an actuarial valuation. In order to remove uncertainty in the matter, it is proposed to specifically provide in the law that no deduction will be allowed, in the computation of profits and gains of a business or profession, in respect of any reserve created or provision made for the payment of gratuity to the employees on retirement or on termination of employment for any reason.

This restriction will, however,not apply in relation to a provision made for the purpose of payment of a sum by way of contribution towards an approved gratuity fund that has become payable during the relevant account year, or for the purpose of meeting actual liability in respect of payment of gratuity to the employees that has arisen during such year.

47. This amendment will take effect retrospectively from 1st April, 1973 and will, accordingly, apply in relation to the assessment year 1973-74 and subsequent years.

[Clause 6(a)]

48. **Taxation of shipping profits derived by non-residents.**—Under the existing law, taxable profits of foreign shipping enterprises are determined by suitably apportioning their global profits between their Indian business and foreign business or on the basis of "voyage accounts". Difficult and complicated issues arise in such assessments, particularly in relation to depreciation (including unabsorbed depreciation of earlier years), the balancing charge/allowance and the appointment of overhead expenses. This makes the task of Income-tax Officers very onerous and, further, there is likely to be a loss of revenue due to inability of the Income-tax Officers to get all the relevant data and evidence necessary for examining the admissibility of various expenses.

49 The existing law also makes a special provision for the levy and recovery of tax in the case of any ship, belonging to or chartered by a non-resident, which carries passengers, livestock, mail or goods shipped at a port in India. Under this provision, an *ad hoc* assessment is made before the ship is allowed to leave the Indian port unless the non-resident shipping concern has an agent in India from whom the tax would be recoverable. For this purpose, one-sixth of the amount paid or payable for the carriage of passangers, livestock mail or goods shipped at an Indian port is regarded as taxable income which is subjected to tax at the rate applicable in the case of foreign companies. The taxpayer has, however, the option to file subsequently a return of income and ask for a regular assessment to be made if his actual income is less than the above-mentioned amount of one-sixth of the freight, etc.

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II. Ancillary units	90%	85%
III. For sophisticated units to be located in backward districts where the total cost of fixed assets does not exceed Rs. 3 lakhs.	85%	75%

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Where tax already paid on the basis of an *ad hoc* asssessment is found to be more than the tax determined on regular assessment, the excess is refunded.

50. With a view to simplifying and rationalising the assessments of non-resident shipping enterprises, the Bill seeks to provide that in the case of a non-resident, the profits and gains from the business of operation of ships will be taken at an amount equal to 7.5 per cent of the amount paid or payable to the taxpayer or to any other person on his behalf, on account of carriage of passengers, livestock mail or goods shipped at any Indian port, as also of the amount received, or deemed to be received in India on account of the carriage of passengers, livestock, mail or goods shipped at any port outside India. Further, for the purpose of making an *ad hoc* assessment before a ship belonging to or chartered by a non-resident is allowed to leave an Indian port, 7.5 per cent of the amount paid or payable to the non-resident, or to any person on his behalf, on account of carriage of passengers, livestock, mail or goods shipped at any port in India will be regarded as his taxable income.

The tax on such assessment will ordinarily be required to be paid before the ship is allowed to leave the Indian port even in cases where the non-resident has an agent in India. The existing provision that a ship may be allowed to leave the Indian port without payment of income-tax on the basis of an *ad hoc* assessment, if the Collector of Customs, or any other officer duly authorised in this behalf, is satisfied that satisfactory arrangements have been made for the payment of tax by the non-resident, will, however, continue.

51. The change proposed in respect of regular assessment of non-resident shipping enterprises will take effect from 1st April, 1976 and will, accordingly, apply in relation to the assessment year 1976-77 and subsequent years. The changes relating to *ad hoc* assessments before port clearance is granted to ships owned by or chartered by non-residents will apply with effect from 1st June, 1975.

(Clauses 8 and 19)

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52. **Depreciation allowance not to be allowed in respect of imported motor cars.**—Section 43 (1) of the Income-tax Act provides that where the actual cost of a motor car to the taxpayer exceeds Rs 25,000. the excess of the cost over Rs 25,000 will be ignored for the purposes of computing depreciation allowance. This provision does not, however, apply in respect of a motor car which is used in a business of running it on hire for tourists. The aforesaid provision was made by the Finance Act, 1966 with a view to curbing ostentatious expenditure and discouraging the use of motor cars of foreign make for the purposes of business or profession. With a view to further discouraging the use of imported motor cars, the Bill seeks to make a provision in the law to the effect that no depreciation will be allowed in respect of imported motor cars acquired by the taxpayer after 28th February, 1975. Simultaneously, the monetary ceiling limit of Rs 25,000 is being omitted so that taxpayers will be entitled to depreciation allowance with reference to the full cost of indigenously manufactured motor cars.

53. These amendments will take effect from 1st April, 1975 and will accordingly apply in relation to the assessment year 1975-76 and subsequent years.

(Clauses 4 and 7)

54. **Modification of the provisions relating to deduction of income-tax at source from interest (other than "Interest on securities").**—Under section 194A of the Income-tax Act, any person, not being an individual or a Hindu undivided family, is required to deduct income-tax at source from any interest (other than "Interest on securities" paid or
credited to any person resid
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94A from any payments by vay of interest made by the entral government under the rovisions of the specified irect taxes enactments.

57. These amendments take ffect from 1st April, 1975.

(Clause 20)

58. **Certain allowances not to qualify for exemption under section 10(14) of the Income-tax Act.**—Under section 10(14) of the Income-tax Act, any special allowance or benefit (not being in the nature of entertainment allowance or other perquisite) specifically granted to meet expenses wholly, necessarily and exclusively incurred in the performance of the duties of an office or employment of profit is exempt from income-tax, to the extent such expenses are actually incurred for that purpose. In a recent decision in the case of *Commissioner of Income-tax, Bombay* v. *D. R. Pathak*, the Bombay High Court has held that Compensatory (City) Allowance paid to compensate government servants for the extra expenditure which they are called upon to bear by reason of their posting at a particular place is exempt from income-tax under section 10(14) of the Income-tax Act. The decision of the Bombay High Court has far-reaching implications. Compensatory (City) Allowance has been charged to tax in the assessments of salaried taxpayers made in the past.

If the decision of the Bombay High Court is followed, innumberable assessments of salaried taxpayers made during the last several years would have to be rectified. This would generate enormous administrative work and would also entail refund of crores of rupees paid as income-tax attributable to the Compensatory (City) Allowance included in computing the taxable income. Besides, the *ratio decidendi* of the decision of the Bombay High Court could also lead to considerable abuse by employers collusively describing a substantial part of the remuneration paid to favoured employees as being in the nature of compensatory city allowance. With a view to getting over the difficulty arising from the interpretation placed by the Bombay High Court on the provisions of section 10(14) of the Income-tax Act, the Bill seeks to make a retrospective amendment in the Income-tax Act with effect from 1st April, 1962 (i.e., the date from which that Act came into force) to clarify that any allowance (other than house rent allowance which is exempt from income-tax under section 10(13A) of the Income-tax Act) granted to a person to meet his personal expenses at the place where his duties are ordinarily performed or at the place where he ordinarily resides will not be regarded, for the purposes of section 10(14) of the Act, as a special allowance granted to meet expenses wholly, necessarily and exclusively incurred in the performance of the duties.

(Clause 3(d))

V. PROPOSED AMENDMENTS TO THE WEALTH-TAX ACT.

59. **Exemption from wealth-tax of equity shares of certain industrial companies.**—With view to encouraging investme in new equity issues made certain priority industries, t Bill seeks to make a provisi in the Wealth-tax Act, 1957 fo exemption from Wealth-tax A of the value of equity shares companies established with t main object of carrying on t business of constructio manufacture or production any one or more of the ar cles or things specified in t list in the Ninth Schedule the Income-tax Act. Th exemption will be availab only where such shares for part of the initial issue capital made by the compar after 28th February, 1975. Th exemption will be available fo a period of five successiv assessment years commencin from the assessment year nex following the date of issue such equity shares.

[Clause 27(a)(iv)&(
and(c)(i

60. **Exemption of trees o agricultural land from wealt tax.**—Under the existing pro visions in the Wealth-tax Ac a taxpayer is entitled to exemp

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on in respect of specified ssets up to an aggregate value f Rs 1,50,000. Agricultural and owned by a taxpayer is ncluded in the categories of ssets qualifying for this xemption. Under another provision in the Wealth-tax Act, growing crops (including fruits on trees) on agricultural land and grass on such land are exempt from wealth-tax without any monetary limit. As trees standing on agricultural land are not regarded as part of the agricultural land, the value of such trees is not exempt from wealth-tax under the aforesaid provisions. The conservation of trees is in our national interest. With a view to preventing indiscriminate felling of trees, the Bill seeks to make a provision in the Wealth-tax Act exempting the value of trees standing on agricultural land (not being trees in any orchard or plantation) from wealth-tax.

61. The proposed provision will take effect from 1st April, 1976 and will accordingly apply in relation to the assessment year 1976-77 and subsequent years.

[Clause 27(a) (ii)]

62. Exemption from wealth tax of foreign companies having no place of business in India.—Under section 3 of the Wealth tax Act, wealth-tax is leviable on the three categories of taxpayers, namely, individual Hindu undivided families and companies. The levy of wealth tax on companies was suspended in 1960 as part of the scheme for reform of company taxation and has not been revived since then. Under section 2(h) of the Wealth-tax Act, the term "company" has been defined to, *inter alia*, include "a company incorporated outside India *which has a place of business in India*." The effect of the words *italicised* above is that wheras a foreign company which is carrying on business in India, either directly or through a branch, is regarded as a "company", a foreign company operating in India through a subsidiary or otherwise owning shares in an Indian company will not be regarded as a company. Further in view of certain judicial pronouncements to the effect that the word "individual" does not include only a natural person but also includes juridical persons as well as group of individuals, it is possible to urge that foreign companies having no place of business in India (which do not fall within the definition of the term "company") are liable to pay wealth.tax as individuals.

This would lead to the anomalous position that whereas foreign companies holding shares in Indian companies would be liable to pay wealth-tax at progressive rates applicable in the case of individuals, foreign companies carrying on business in India would be altogether exempt from wealth tax. With a view to removing this anomaly, the Bill seeks to make a specific provision in the Wealth-tax Act to the effect that no tax shall be levied under that Act in respect of the net wealth of any company incorporated outside India which has no place of business in India.

63. The proposed amendment will take effect retrospectively from 1st April 1957, i.e., the date of commencement of the Wealth-tax Act.

(Clause 28)

64. Definition of "company" under the Wealth-tax Act to be brought on par with the definition under the Ineome-tax Act.—At present, the definition of the term "company" in section 2(h) of the Wealth-tax Act differs in certain material respect from the definition of that term in section 2(17) of the Income-tax Act. This may give rise to the anomolous position that a taxable entity which is regarded as a "company" for the purposes of the Income-tax Act may not be regarding as a company for the purposes of the Wealth-tax Act. In order to remove this anomaly, the Bill seeks to substitute the definition of the term "company" in section 2(h) of the Wealth-tax Act by a new definition so as to bring the definition brodaly in line with the definition of the term "company" in the Income-tax Act.

65. The proposed amendment will take effect from 1st April, 1975.

(Clause 25)

66. Monetary ceiling limit in respect of value of conveyances exempt from wealth-tax.—Under the existing provisions of the Wealth-tax Act, the value of any conveyance owned by a taxpayer is exempt from wealth-tax up to an aggregate amount of Rs 25,000. In view of the increase in the price of indigenously manufactured motor cars, the Bill seeks to increase this limit to Rs 30,000.

67. The proposed amendment will take effect from 1st April, 1975 and will apply in relation to the assessment year 1975-76 and subsequent years.

[Clause 27(a) (i)]

68. Removal of certain anomalies in the Wealth-tax Act.—Under section 4(1)(a) of the Wealth-tax Act, assets transferred by an individual without adequate consideration to his minor children or spouse or to trustees for the immediate or deferred benefit of his minor children or spouse, as also assets transferred to any other person under a revocable transfer, are to be included in computing the net wealth of the transferor. Some of the assets so transferred by an individual may, however, be exempt from wealth-tax under specific provisions contained in section 5 of that Act; as for instance, one house or part of a house or agricultural land 'belonging' to the individual. A view has been expressed that assets which are required to be included in the net wealth of the individual under section 4(1)(a) of the Wealth-tax Act will not be entitled to the benefit of the specific exemptions contained in section 5(1) of that Act because of the assets so transferred can not be regarded as "belonging" to the individual. With a view to removing this anomaly, the Bill seeks to amend section 4 of the Wealth-tax Act to provide that the exemption in

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spect of specified assets nder section 5 of that Act ill apply in relation to the sse ts transferred by an indi-dual to his spouse, minor hildren, etc. as if such assets elonged to the transferor.

69. Exemption in respect f certain shares specified in ection 5(1)(xx), (xxiii) and xxviii) of the Wealth-tax Act s available where such shares re "*held by the assessee*". ection 5(3) of the Wealth-tax ct provides that wealth-tax hall be payable by the assessee in respect of specified ssets, which are exempted rom tax under section 5(1) of hat Act, unless these assets re *held* by the assessee for a period of at least six months ending with the relevant valuation date. (In the case of shares. the date from which the shares were first ssued may be taken into account if the period between the date of issue and the relevant valuation date is shorter than six months.) In relation to shares of companies, the expression "held by the assessee" has been judicially interpreted to mean registered in the name of the assessee. The effect of these words in the aforesaid provisions in the Wealth-tax Act is that investment in certain shares and securities would be exempt from tax only if they are registered in the name of the assessee and they have stood in his name for the requisite period specified in section 5(3) of the Wealth-tax Act.

70. Shares, securities, etc. are sometimes held by an individual, for the sake of convenience, in the name of his spouse or children or jointly wlth his spouse and children. In view of the position that these assets are regarded as assets belonging to the taxpayer and are, therefore, included in his net wealth, it is but fair that the value of such assets should enjoy exemption under the provisions of section 5(1) of the Wealth-tax Act in the same manner and to the same extent as assets held in his own name. With this ojective in view, the Bill seeks to make certain amendments in section 5 of the Wealth-tax Act to secure that exemption in respect of specified categories of assets owned by an individual is not denied on the technical consideration that these assets are not registered or held in his own name.

71. The proposed amendments refered to in paragraphs 68 to 70 take effect from 1st April, 1975 and will accordingly apply in relation to the assessment yeor 1975-76 and subsequent years.

[Clauses 26 & 27 (a) (iii) and (v) and (c) (ii) & (iii)]

VI. PROPOSED AMENDMENTS TO THE GIFT-TAX ACT

72. **Special provisions for computation of taxable gifts not to apply in certain cases.**— Section 4(1)(a) of the Gift-tax Act, 1958 provides that where property is transferred, otherwise than for adequate consideration, the amount by which the market value of the the property on the date of the transfer exceeds the value of the consideration shall be deemed to be a gift made by the transferor. This provision has been made in the Gift-tax Act with a view to countering attempts at avoiding gift-tax through the device of transfering property at a nominal price, instead of making a direct gift. A doubt has been expressed that the deeming provision contained in section 4(1)(a) of the Gift-tax Act may be invoked even in cases where the property is transferred to the government or where the consideration for the transfer of any property is determined or approved by the government. Since the levy of gift-tax in such cases, by invoking the deeming provision mentioned above, will be clearly unfair and inequitable, the Bill seeks to provide that these provisions will not apply in cases where the property is either transferred to the government or where the consideration for the transfer of the property is determined or approved by the central Government or the Reserve Bank of India.

73. The proposed amendment takes effect from 1st April,1974 and will, accordingly, apply in relation to the assessment year 1974-75 and subsequent years.

(Clause 29)

VII. MISCELLANEOUS

74. **Continuance of development rebate in respect of ships for a further period.**— Under notification of the government of India in the ministry of Finance (Department of Revenue & Insurance) dated 28th May, 1971, issued under section 33 (5) of the Income-tax Act, the tax concession by way of development rebate was withdrawn in respect of ships acquired or machinery or plant installed after May 31, 1974. This tax concession was, however, continued for a limited period in certain cases specified in section 16 of the Finance Act, 1974. This provided for the continuance of development rebate, *inter alia*, in the case of any ship acquired after May 31, 1974 but before June 1, 1975, where the contract for the purchase of the ship had been entered into by the taxpayer with the builder or owner thereof before December 1, 1973. In view of the consideration that the execution of ship building contracts takes considerable time and, as such, ships contracted for before December 1, 1973 may not be ready for delivery before June 1, 1975, it is proposed to extend the date for the acquisition of ships in such cases up to December 31, 1976.

(Clause 30)

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CUSTOMS

The proposals include:

(a) Continuance upto 30.6.1976 of the provision for the levy of auxiliary duties of customs similar to the provision in section 19 of the Finance Act, 1974. The effective rates are being maintained at the existing level. All the existing exemptions in respect of auxiliary duties of customs are also being continued.

(b) Increase in the exempted rate of additional (countervailing) duty on imported copper and copper alloys. The additional revenue expected is Rs 1050 lakhs in a year.

(c) Withdrawal of the partial exemption from additional (countervailing) duty on imported zinc and subjecting it to the full rate of excise duty. The additional revenue expected is Rs 1400 lakhs in a year.

(d) The additional revenue amounting to Rs 955 lakhs per annum is also expected from additonal (countervailing) duties consequent on the changes in Central Excise Duties except in respect of graphite electrodes and anodes and articles covered by the new Central Exise Item No. 68, which have been exempted from the whole of the additional (couutervailing) duty. Details are given below:

S. No.	Item No. in the Import Schedule to the Indian Tariff Act.	Brief description of goods.	Additional revenue expected per annum.
			(Rs Lakhs)
1.	27(6)	Motor spirit	70
2.	27(7)(b)(2)	Furnace oil	620
3.	47(2)	Synthetic yarn	160
4.	Various others	...	105
			955

2. There will thus be a net increase in customs revenue of Rs 3405 lakhs per annum. All of this will be from Additional (countervailing) duties.

(Clause 31)

CENTRAL EXCISES

It is proposed to bring "hand-made biris"; "chewing tobacco" and "snuff" under the purview of Central Excises. Throug executive notification, the levy is confined only to branded biris and branded chewing tobacco. In these industries, the labellin or re-labelling and packing or repacking agency may by different from the actual manufacturers. It is therefore necessary t exercise licensing control on such re-packers and re-labelling ageneies so that the lawful dues to government could be collected With the object in view a new sub-clause (ia) is being added in clause (f) of Section 2 of the Centaal Excises and Salt Act, 1944 making it clear that the term "manufacture" will include labelling and re-labelling of containers and re-packing from bulk pack to retail packs, etc.

(Clause 33(a))

UNION EXCISE DUTIES

General Notes

(1) Percentages indicated under the "Rate of duty" column are "*ad valorem*"

(2) **Abbreviations** :

B = Basic duty
A = Additional duty of excise inlieu of sales-tax
AY = Auxiliary duty
E = Exempted from duty
NC = No change
DR = Different rates
T = Metric tonne
Qtl. = Quintal
Rs. = Rupees
d = denier
sq. m. = square metre
kg. = kilogram
NOS = Not otherwise specified
NES = Not elsewhere specified
gms. = grammes
NF = New French
neg. = Negligible

(3) **Indicators**

* = Revenue measure
# = Rationalisation with revenue significance
† = Rationalisation with little or no revenue significance

Sl. No.	Tariff item No.	Commodity	Unit	Rate of duty (Basic)		Estimated additional revenue in one full year
				Existing	Proposed	
1	2	3	4	5	6	7
		A—Changes Proposed by Bill				(Rs. lakhs)
1.	*1(1)	Sugar other than Khandsari or Palmyra		(30%) (7½%)	37½% (NC)	4985 (4635 B 350A)
	# (2)	Khandsari sugar		15%	NC	
Effective rates						
	(1)	Sugar other than Khandsari or Palmyra		[7½%]	NC	
		(*a*) levy sugar		15% (5%)	NC (NC)	
		(*b*) non-levy sugar		30% (7½%)	37½% (NC)	
	(2)	Khandsari sugar		15% or, (2½%) Appropriate compounded levy rates	NC (NC) 15% [2.5%]	

There will be no change in the present duty on levy sugar.

2. It is proposed to withdraw the compounded levy scheme of duty collection hitherto available to Khandsari manufacturers.
3. As in the case of Free Sale Sugar Tariff values are being fixed for Khandsari sugar also.

NOTE :—Figures in double brackets in the Rate Columns indicate the rates of Additional excise duty in lieu of sales-tax.

[Sl. No. (i) of Part I of the Second Schedule.]

2.	(4)	Tobacco				
	I.	Unmanufactured tobacco—				(—) 334 B [(—) 491 AY]
	(5)	If other than flue-cured and not actually used for the manufacture of (*a*) cigarettes, (*b*) smoking mixtures for pipes and cigarettes (*c*) biris.	Kg.	B Rs. 3.00 A [Re 0.50] AY[20%]	NC [NC] [NC]	
	(6)	If other than flue-cured and N.O.S.	Kg.	B Rs. 4.00 A [Re. 0.75] AY [20%]	NC [NC] [NC]	(Rs. lakhs)
	(8)	Stalks	Kg.	B Re. 0.50 A [Re. 0.10] AY [20%]	Rs. 1.90 [NC] [NC]	
Effective rates						
	(5)	above	Kg.	B Rs. 2.50 A [Re. 0.50] AY [10% of [effective Basic dity]	NC [NC] [E]	
	(6)	above	Kg.	B Rs. 3.50 A [Re. 0.75] AY [10% of effective Basic duty]	Rs. 2.25 [NC] [E]	
	(8)	above	Kg.	B Re. 0.50 A [Re. 0.10] AY [10% of effective Basic duty]	Rs. 1.90 [NC] [E]	

Tobacco Excise Tariff Committee has recommended a uniform rate of duty for all varieties of non-flue-cured tobacco (other than that used for the manufacture of cigarettes). They have also suggested a lower rate for stalks *vis-a-vis* the uniform rate recommended for all non flue-cured tobacco other than that for cigarettes. A further levy on branded biris and branded chewing tobacco and snuff has also been recommended. In pursuance of these recommendations, rates of duty on such tobacco are readjusted. With regard to further levy on biris, chewing tobacco and snuff, see notes under "Manufactured tobacco" 4 II (3), (5) and (6).

NOTE :—(1) Effective rates of Basic, Auxiliary and Additional duties will be Rs. 2.50, nil and Re. 0.50 per kg. respectively for dust of other than flue-cured tobacco of prescribed specifications, Rs. 2.50, Re. 0.25 and Re. 0.50 per kg. respectively for dust and stems of flue-cured tobacco of prescribed specifications.

(2) Loss of revenue under 'AY' has been taken into account under Part "B".

[Sl. No. (ii) of Part I of the Second Schedule]

1	2	3	4	5	6	7
						(Rs. lakhs)
3. *	6	Motor Spirit	KL	Rs. 2000/-	Rs. 2100/-	1800

[Sl. No. (iii) of Part I of the Second Schedule]

1	2	3	4	5	6	7
4. *	14D	Synthetic Organic Dye-stuffs		20%	25%	375 B [75 AY]

NOTE :— (*i*) Pigment Dye-stuffs so far exempted will also pay duty at the revised tariff rate.

(*ii*) The present effective rate of Auxiliary duty of excise which is 20% of effective Basic duty of excise continues unchanged.

(*ii*) Additional revenue under 'AY' which is consequential to the change in the rate of Basic duty of excise has been taken into account under Part 'B'.

[Sl. No. (iv) of Part I of the Second Schedule]

1	2	3	4	5	6	7
5. *	14F	Cosmetics & Toilet preparations		30%	40%	230 B [115 AY]
Effective rates						
		(*a*) Perfumed hair oils (sold in unit containers)		12%	NC	
		(*b*) Shampoos whether or not containing soap or detergents		24%	40%	

NOTE :— (*i*) The present effective rate of Auxiliary duty of excise which is 50% of effective Basic duty of excise continues unchanged. The exemption to small scale sector manufacturing Cosmetics & Toilet preparations also remains unchanged.

(*ii*) Additional revenue under 'AY' which is consequential to the change in the rate of Basic duty of excise has been taken into account under Part "B".

[Sl. No. (v) of Part I of the Second Schedule]

1	2	3	4	5	6	7
6. #	16	Tyres		DR	NC	200

Description of the Item has been amended to include "tyre flap" so as to subject it to excise duty at appropriate rates depending on the type of 'tyre' for which it is used.

[Sl. No. (vi) of Part I of the Second Schedule]

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PROFILE

	June 1969	December 1974	Increase
1. Branches No.	240	644	404
—(Of which Rural & Semi-Urban)	(98)	(392)	(294)
2. Deposits (Rs. crores)*	124.22	365.13	240.91
3. Advances (Rs. crores)*	74.13	274.32	200.19
—Of which to			
A. Priority Sectors (Rs. crores)*	**21.79**	**138.14**	**116.35**
i) Exports	15.41	36.47	21.06
ii) Other Priority & Neglected Sectors	6.38	101.67	95.29
4. **% Share In Total Advances** (3A:3)			
Priority Sectors	**29.39**	**50.35**	
i) Exports	20.79	13.29	
ii) Other Priority & Neglected Sectors	8.60	37.06	

* As of last Friday

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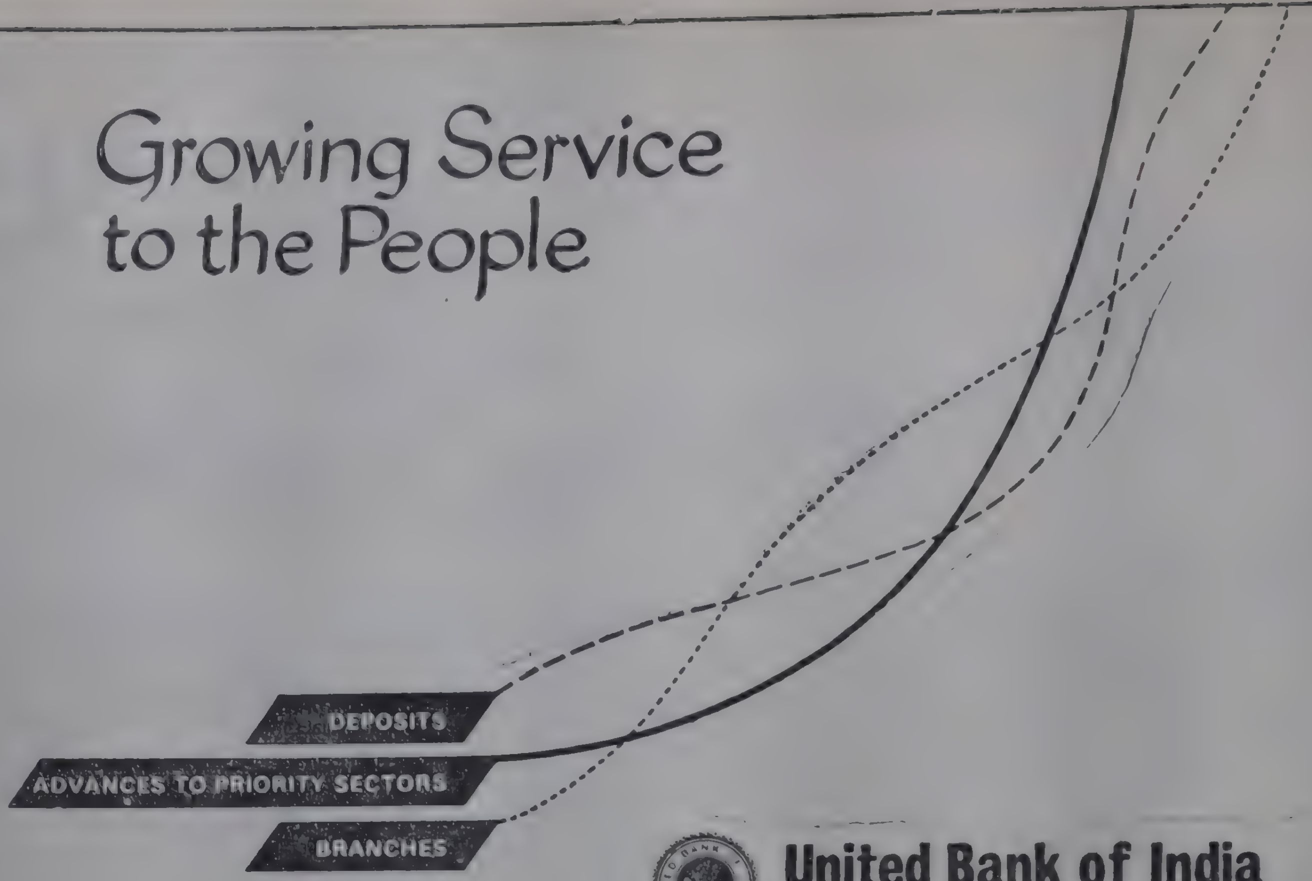

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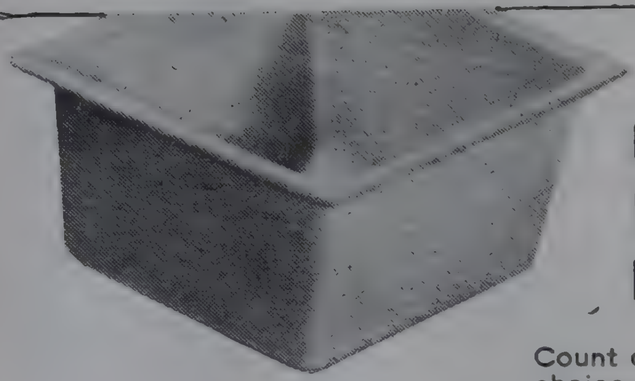

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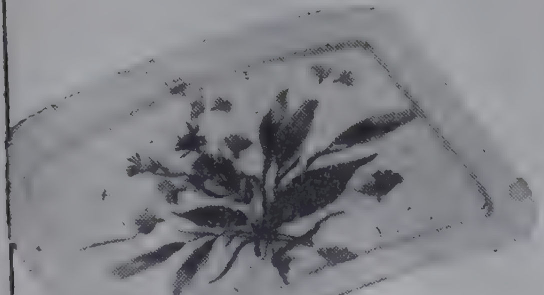

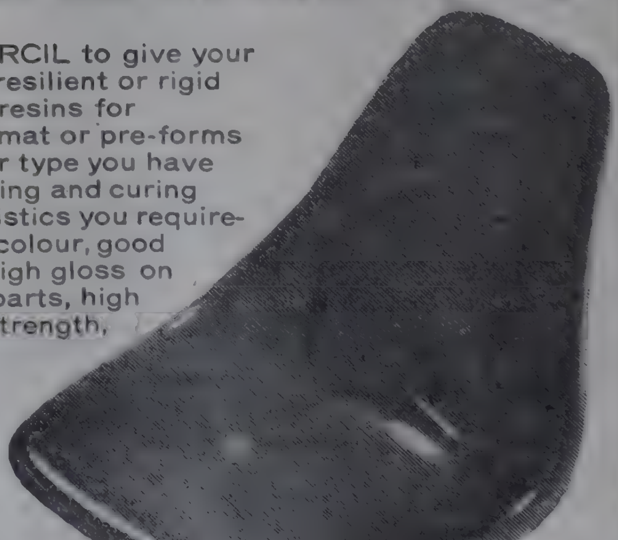

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2	3	4	5	6	7
17	Paper and paper boards				**735 B** [245 AY]
(3)	Printing and writing paper, packing and wrapping paper, straw-board and pulp-board, etc.	Kg.	Re. 0.60	Re. 0.90	
(4)	All other kinds of paper and paper boards N.O.S.	Kg.	Rs. 1.20	NC	

The present effective rates on printing and writing papers, mill-boards and straw boards and corrugated boards remain unchanged.

2. It is also proposed to step up the present effective duty on solid fibre boards falling under sub-item (4) of this item from Re. 0.50 to Re. 0.65 per kg.

NOTE :— (*i*) The present effective rate of Auxiliary duty of excise which is $33\frac{1}{3}\%$ of effective Basic duty of excise, wherever applicable, continues unchanged.

(*ii*) Additional revenue under 'AY' which is consequential to the change in the rate of Basic duty of excise has been taken into account under Part "B".

[Sl. No. (vii) of Part I of the Second Schedule]

* 18A	Cotton twist, yarn and thread, all sorts—				1210
	(1) of counts 29 or more	Kg.	Rs. 5.00	Rs. 10.00	
	(2) of counts less than 29	Kg.	Re. 1.00	Rs. 4.00	

ective rates

No.	Description	of or more counts	Less than	(Rs. per Kg.)	
.	Cotton twist, yarn or thread [other than plain (straight) reel hank yarn, and yarn used for weaving by composite mills]				
		84	—	3.75	5.00
		69	84	3.40	4.50
		51	69	3.15	4.25
		40	51	2.85	3.85
		34	40	1.25	1.70
		29	34	1.10	1.50
		22	29	0.60	NC
		14	22	0.20	NC
		—	14	0.10	NC

(Rs. lakhs)

2.	Yarn used in making cotton fabrics by composite mills working under special procedure	(Paise per sq. m.)	
	(*i*) Yarn used in making cotton fabrics falling under sub-item I(1) of Item No. 19	3.00	NC
	(*ii*) Yarn used in making superfine fabrics	30.00	40.00
	(*iii*) Yarn used in making the fine fabrics	20.00	27.00
3.	Cotton yarn contained in fents arising out of cotton fabrics produced by factories working under special procedure.	(Rs. per kg.)	
	(*i*) Cotton yarn contained in fents of fabrics falling under sub-item I(1) of Item No. 19	0.30	NC
	(*ii*) Cotton yarn contained in fents of superfine fabrics	4.00	5.40
	(*iii*) Cotton yarn contained in fents of fine fabrics	1.40	1.90
4.	Cotton twist, yarn and thread used for weaving of cotton fabrics by composite mills working under normal procedure of 29 or more counts but less than 34 counts	2.00	3.00

There will be no change in the present rates of duty on straight reel hank yarn, generally consumed by handloom sector and also in duty on yarn of less than 29 counts (NF) generally going into the manufacture of medium-A, medium-B and coarse fabrics.

[Sl. No. (viii) of Part I of the Second Schedule]

1	2	3	4	5	6	7
9.	*	23 Cement		30%	35%	1450 B [145 AY]

NOTE :—(*i*) The present effective rate of auxiliary duty of excise which is 10% of effective Basic duty of excise contin unchanged.
(*ii*) Additional revenue under "AY" which is consequential to the change in the rate of Basic duty of excise h already been taken into account under Part "B".

[Sl. No. (ix) of Part I of the Second Schedul

1	2	3	4	5	6	7
10.	* 23 A	Glass and glassware				180
		(1) sheet glass and plate glass		25%	30%	
		(2) laboratory glassware		10%	NC	
		(3) glass shells, glass globes, etc.		10%	15%	
		(4) other glassware including table-ware		25%	30%	

There is no change in the existing concessional rate of duty of 5% on laboratory glassware.

[Sl. No. (x) of Part I of the Second Schedu

1	2	3	4	5	6	7
11.	* 23 B	Chinaware and porcelainware, all sorts				190
		(1) Tableware		25%	30%	
		(2) Sanitaryware		30%	40%	
		(3) Glazed tiles		30%	40%	
		(4) N.O.S.		20%	25%	
Effective rates						
		(1) Sanitaryware		30%	35%	
		(2) Glazed tiles		30%	35%	
		(3) Electrical insulators made of porcelain		10%	15%	

NOTE :—The existing criteria of concession to small manufacturers of chinaware and porcelainware has been suitably mo fied so as to facilitate natural healthy growth of the industry and to improve revenue collection. This change com into force with effect from 1st of April, 1975.

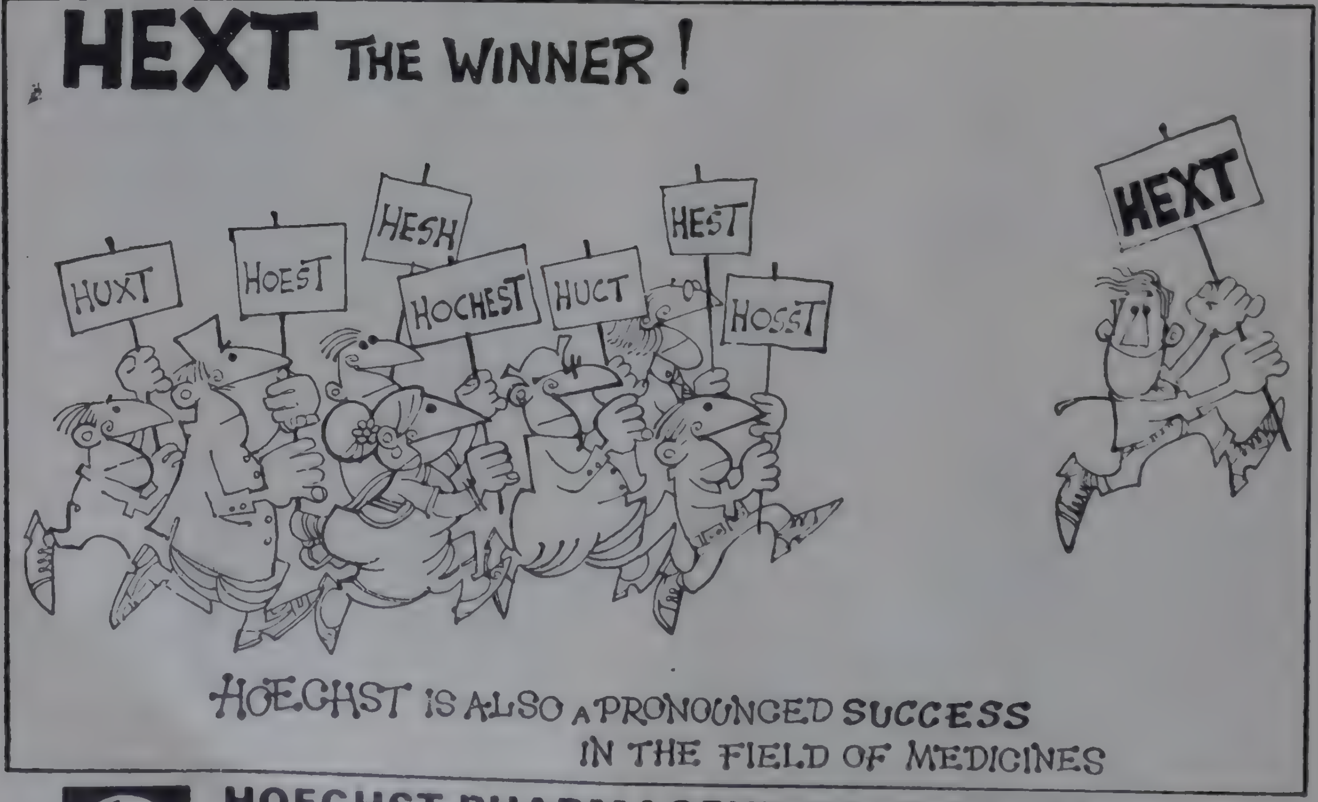
[Sl. No. (xi) of Part I of the Second Schedu

1	2	3	4	5	6	7
12.	† 26AA	Iron or Steel Products				

An explanation is being inserted under this item to define@ 'skelp' with regard to Iron or Steel products. It has no reven significance.

(@ See also p. 577, see B-1)

[Sl. No. (xii) of Part I of the Second Schedu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2	3	4	5	6	7
* 27	Aluminium				(Rs. lakhs) 1125 B [375 AY]
	(*a*) (*i*) In any crude form including ingots, bars, etc.		30%	30% plus Rs. 2,000/- per tonne.	
	(*ii*) Wire bars, wire rods and castings, etc.		30%	30% plus Rs. 2,000/- per tonne.	
	(*b*) Manufactures, namely plates, sheets, etc.		30%	30% plus Rs. 2,000/- per tonne.	
	(*c*) Foils, etc.		30%	30% plus Rs. 2,000/- per tonne.	
	(*d*) Pipes and tubes, other than extruded pipes and tubes		30%	30% plus Rs. 2,000/- per tonne.	
	(*e*) Extruded shapes and sections including extruded pipes and tubes		30%	30% plus Rs. 2,000/- per tonne.	
	(*f*) Containers made of aluminium		30%	30% plus Rs. 2,000/- per tonne.	
ffective rates					
	(*a*) (*i*) above—				
	(1) electrical conductor grade		30%	NC	
	(2) Others		30%	30% plus Rs. 1,500 per tonne.	
	(*ii*) above—				
	(1) electrical conductor grade		30%	NC	
	(2) Others		30%	30% plus Rs 1,500/- per tonne.	
	(*b*) above				
	(1) Circles of thickness of and above 0.56 mm but not above 1.22 mm (generally used for utensils)		21%	21% plus Rs. 1,500/- per tonne.	
	(2) Others		30%	30% plus Rs. 1,500/- per tonne.	
	(*c*) above		24%	24% plus Rs. 1,500/- per tonne.	
	(*d*) above				
	(1) aluminium pipes of specified dimensions for agricultural irrigation purposes		12%	12% plus Rs. 1,500/- per tonne.	
	(2) Others		30%	30% plus Rs. 1,500/- per tonne.	
	(*e*) above—				
	(1) aluminium pipes of specified dimensions for agricultural irrigation purposes		12%	120% plus Rs. 1,500/- per tonne.	
	(2) Others		30%	30% plus Rs. 1,500/- per tonne.	

1	2	3	4	5	6	7
		(*f*) above		30%	30% plus Rs. 1,500/- per tonne.	

NOTE :— (*i*) The present effective rate of auxiliary duty of excise which is 33⅓% of effective basic duty of excise continues unchanged.

(*ii*) Additional revenue under 'AY' which is consequential to the change in the rates of basic duty of excise has been taken into account under Part 'B'.

This measure is intended to act as a restraint on the production of commercial grade aluminium and an indirect encouragement to the production of electrical conductor grade aluminium.

[Sl. No. (xiii) of Part I of the Second Schedule]

14.	* 29A	Refrigerating and air conditioning appliances etc. and parts thereof.				360
		(1) Refrigerators and refrigerating appliances, etc.		75%	NC	
		(2) Air conditioners and air conditioning appliances etc.		75%	100%	
		(3) Parts of refrigerating and air conditioning appliances and machinery, all sorts.		100%	125%	

NOTES :—(*i*) The present effective rates for domestic refrigerators and other refrigerating appliances and machinery remain unaffected.

(*ii*) The present concessional rate for evaporative type of coolers and that available to air-conditioners for use in hospitals run by the Central or State Governments, a local authority or a public charitable institution, remain unchanged.

(*iii*) The present concessional rates on parts of refrigerating and air-conditioning machinery (*a*) for cold storage plants, (*b*) for hospitals run by the Central or State Governments, a local authority or a public charitable institution and (*c*) factory establishments, remain unchanged.

[Sl. No. (xiv) of Part I of the Second Schedule]

15.	* 33.	Electric fans				150
		(1) Table, Cabin, etc.		10%	15%	
		(2) Those designed for use in an industrial system, etc.		15%	NC	
		(3) N.O.S. (i.e. ceiling fan, etc.)		15%	20%	
Effective rates						
		(1) Table, Cabin, etc.		7.2%	10%	
		(2) Those designed for use in an industrial system, etc.		12%	NC	
		(3) N. O. S.		12%	15%	

[Sl. No. (xv) of Part I of the Second Schedule]

						(Rs. lakhs)
16.	* 33 B.	Electric wires and cables.				280
		(*i*) Insulated wires and cables of copper, aluminium or other metals and alloys, whether sheathed or unsheathed (of specified core sections are), etc.		15%	17½ %	
		(*ii*) Others		10%	NC	

It is also proposed to raise the present effective rates of duty on winding wires and cables classified under sub-item (i) by 5% *ad valorem*. The present concessional rate of 12% applicable to the produce of industrial units where capital investment does not exceed the prescribed limit, is proposed to be raised to 14.5%.

2. There will be no change in the present duty on telecommunication wires and cables falling under sub-item (i).

3. The duty on wires and cables falling under sub-item (ii) of this item which includes AAC and ACSR cables also remains unaffected.

[Sl. No. (xvi) of Part I of the Second Schedule]

17.	* 48	Safes, strong boxes, etc.		10%	20%	60

[Sl. No. (xvii) of Part I of the Second Schedule]

18.	# II	Manufactured tobacco—				2906
		(3) (i) Machine made biris	per 1000	B Rs. 3.00 A [Re. 0.60]	Rs. 3.80 [Re. 0.80]	[2210 B 480 A]
		(3) (ii) Other biris	per 1000	B NIL A [NIL]	Re. 0.80 [Re. 0.20]	
		(5) Chewing tobaco		B. NIL	10%	
		(6) Snuff		B. NIL	10%	

NOTE :— (*i*) This measure is in pursuance of a suggestion made by the Tobacco Excise Tariff Committee.

(*ii*) Under 3(ii) above only "branded" hand-made biris will pay duty.

(*iii*) Only "branded" chewing tobacco will pay duty. Where the value of such chewing tobacco does not exceed Rs. 10/- per Kg., it will pay duty at lower rate of 5%.

[Sl. No. (i) of Part II of the Second Schedule and entry in the Third Schedule].

2	3	4	5	6	7
# 18	Rayon and synthetic fibre and yarn including textured yarn, etc.				4940
	(*i*) fibres and yarn, other than textured yarn	Kg.	Rs. 60.00	Rs. 85.00	
	(*ii*) Textured yarn	Kg.	—	The duty for the time being leviable on the base yarn, if not already paid, plus rupees twenty per Kg.	

ctive rates

No.	Description			(Rs. per kg.)	
. (*i*)	Yarn spun wholly out of synethetic staple fibre of cellulosic origin, or Yarn spun out of staple fibre aforesaid and cotton only, provided that the cotton content of the yarn does not exceed 10 per cent of its weight.				
		of or more counts	Less than		
		84	—	2.50	4.00
		69	84	2.00	3.20
		51	69	1.75	2.80
		40	51	1.50	2.40
		34	40	1.00	1.60
		29	34	0.90	1.45
		22	29	0.40	0.65
		14	22	0.20	0.30
		—	14	0.10	0.15
(ii)	Yarn spun out of staple fibre aforesaid and any natural fibre other than cotton, provided that the natural fibre content of the yarn does not exceed 10 per cent of its weight.			7.50	12.00
2.	(*a*) Yarn spun wholly out of synthetic staple fibre of non-eellulosic origin, other than acrylic fibre, or				
	(*b*) partly out of the staple fibre aforesaid and partly any other fibre or fibres (including acrylic fibre) provided that the natural fibre content, if any, of the yarn does not exceed 10 per cent of its weight—If the non-cellulosic fibre content of its is—				
	(*i*) 50 per cent or more			15.00	24.00
	(*ii*) less than 50 per cent but not less than 25 per cent			12.00	19.20
	(*iii*) less than 25 per cent but more than 10 per cent			10.00	16.00
	(iv) 10 per cent. or less			7.50	12.00
3.	Yarn spun either wholly out of acrylic fibre or partly of such fibre and partly of any natural fibre, the natural fibre content of such yarn being not more than 10%—				
	(1) manufactured on worsted system—				
	(*a*) hand-knitting			7.00	11.20
	(*b*) others—				
	(*i*) of 40 counts and above			14.00	22.40
	(*ii*) of above 20 counts but below 40 counts			8.00	12.80
	(*iii*) of 20 counts and below			4.00	6.40
	(2) manufactured on other systems—				
	(*i*) of 40 counts and above			8.00	12.80
	(*ii*) of above 20 counts but below 40 counts			5.00	8.00
	(*iii*) of 20 counts and below			3.00	4.80

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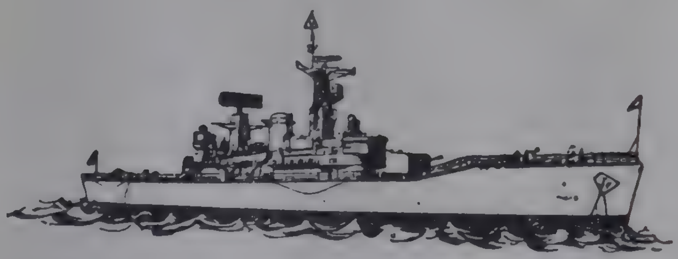

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1	2	3	4	5	6	7
	4.	Staple fibre and tow—				
		(*i*) of cellulosic origin		1.50	NC	
		(*ii*) of non-cellulosic origin—				
		(*a*) acrylic fibre		6.00	NC	
		(*b*) polyester fibre		40.00	NC	
		(*c*) others**		30.00	NC	
		**Nylon staple fibres falling under this Item shall be exempted from so much of the duty as is in excess of Rs. 6 per kg. upto and inclusive of 1-1-1976.				
	5.	Rayon and synthetic yarn consisting entirely of cellulosic derivatives or regenerated cellulose or both—				
		(*a*) Acetate yarn—				
		of and above	below	(Rs. per kg.)		
		—	75 d	10.35	14.50	
		75 d	100 d	7.80	10.90	
		100 d	120 d	5.80	8.10	
		120 d	150 d	4.00	5.60	
		150 d	350 d	3.70	5.20	
		350 d but not above 1100 d		3.05	4.25	
		above 1100 d		2.55	NC	
		(*b*) Others				
		of and above	below			
		—	75 d	14.25	19.95	
		75 d	100 d	9.25	12.95	
		100 d	120 d	6.60	9.25	
		120 d	150 d	5.50	7.70	
		150 d	350 d	4.70	6.60	
		350 d but not above	1100 d	3.15	4.40	
		above 1100 d		2.50	NC	
	6.	Other synthetic yarn—				
		(*a*) Man-made metallic yarn				
		of and above	below			
		—	30 d	40.00	56.00	
		30 d	75 d	35.00	49.00	
		75 d	100 d	25.00	35.00	
		100 d but not above 750 d		20.00	28.00	
		above 750 d		5.00	NC	
		(*b*) Polyamide (nylon) yarn—				
		of and above	below	(Rs. per kg.)		
		—	35 d	42.00	58.80	
		35 d	80 d	37.00	51.80	
		80 d	110 d	32.00	44.80	
		110 d	150 d	27.00	37.80	
		150 d but not above 750 d		14.00	19.60	
		above 750 d		6.50	NC	
		(*c*) Polyester yarn—				
		of and above	below			
		—	30 d	55.00	77.00	
		30 d	75 d	50.00	70.00	
		75 d	100 d	45.00	63.00	
		100 d but not above 750 d		35.00	49.00	
		above 750 d		15.00	NC	

1	2	3		4	5	6	7
		(*d*) Others—					
		of and above	below				
		—	30 d		40.00	56.00	
		30 d	75 d		35.00	49.00	
		75 d	100 d		25.00	35.00	
		100 d but not above 750 d			20.00	28.50	
		above 750 d			5.00	NC	

NOTE :—There is no change in the present concessional rates of duty for godet waste or for nylon yarn for use in the manufacture of fishing nets or parachute cords.

A substantial part of the excise duty now payable on artsilk fabrics falling under Tariff Item No. 22 is being transferred to yarns falling under this item. [See notes under Sl. No. 9 in Part-C.]

[Sl. No. (ii) of Part II of the Second Schedule]

1	2	3	4	5	6	7
20	† 33A	Wireless receiving sets, all sorts and combination sets, etc.				—
		(1) Broadcast television receiver sets		20%	NC	
		(2) Radios including transistor sets	Per set	Rs. 300	NC	
		(3) Radiograms including radio or transistor sets with extra space in cabinet for fitting in record players or record changers	Per set	Rs. 300	NC	
		(4) Others		D.R.	30%	

Tariff description has been amended as a measure of rationalisation. It has very little revenue significance.

[Sl. No. (iii) of Part II of the Second Schedule]

1	2	3	4	5	6	7
21.	† 43	Wool tops	Kg.	Rs. 5.00	Rs. 10.00	—
		Effective rate	Kg.	Rs. 5.00	NC	

It is proposed to keep adequate cushion in the duty on wool tops for any future transfer of a part or whole of the duty leviable on woollen yarn to the wool top stage by notification. This will ensure better revenue collection. This proposal has no immediate revenue significance as there is no change in the present effective duty on wool tops.

2. The amendment of tariff description is of a clarificatory nature and has little revenue significance.

(Sl. No. (iv) of Part II of the Second Schedule]

1	2	3	4	5	6	7
22.	* 67	Graphite electrodes and anodes, all sorts Its is a new levy		—	15%	150
	* 68	All other goods, not elsewhere specified (with a few exclusions) manufactured in a factory as defined in the Factories Act, 1948.		—	1%	2400 (Rs. lakhs)

It is a new levy

2. By executive notification, this levy will be confined to goods produced only in factories which employ more than 49 workers in the case of power operated factories, and more than 99 workers in the case of non-power operated factories.

3. It is also proposed to exempt the following items/commodities from this levy—

(*a*) electric light and power;

(*b*) all kinds of food products and food preparations. (However, the preparations and products falling under Tariff Items Nos. 1B and 1C will continue to pay the present duty under the said Tariff Items);

(*c*) goods produced by factories belonging to the Central Government for departmental purposes;

(*d*) goods produced by the State Governments for purposes declared by law to be incidental to the ordinary functions of Government; and

(*e*) intermediate products or component parts produced in a factory and consumed within the same factory.

[Sl. No. (v) of Part II of the Second Schedule]

B—Auxiliary Duties of Excise

Estimated additional revenue Rs 534 lakhs

Under Clause 34 of the Finance Bll, 1975, the provision for levy of Auxiliary duty of excise on all excisable goods mentioned in Central Excise Tariff Schedule at an amount equal to 20% of the value of the goods, is being continued.

2. There is no change in the present list of commodities effectively subjected to Auxiliary duty of excise and in the existing effective rates of Auxiliary duty of excise thereon except that unmanufactured tobacco covered under sub-items I(5), I(6) and I(8) of Tariff Item No. 4 will be exempted from this levy. However, on account of changes in the Basic duty of excise on cigarettes, smoking mixtures for pipes and cigarettes, synthetic organic dyestuffs, cosmetics and toilet preparations, paper and paper boards, cement and aluminium, consequential accruals under Auxiliary duty of excise have been taken into account under this head. The break-up

2	3	4	5	6	7

he total accrual of Rs 534 lakhs from Auxiliary duty is shown separately elsewhere against the respective commodities in square ckets. All other excisable commodities continue to be exempted from the levy of Auxiliary duty through notification.

B1—Special Provision as to Duties of Excise on Skelp

Duty on "Iron or Steel products" which *inter alia* included 'Strips, all sorts' was imposed for the first time with effect from 4-1962 under item 26AA of the First Schedule to the Central Excises and Salt Act, 1944. "Skelp", a special type of 'Hot Rolled ip', was by notification(s) subjected to an effective rate of duty different from that on other types of stripes also ective from 24-4-1962. With effect from 1-3-1964, 'Skelp' is being expressly mentioned in the said tariff item. However, the rate duty on skelp, by notifications issued from time to time since 1-3-1964, has been always higher than that on other hot rolled strips. the absence of any definition of 'Skelp' in the statute, the collection of duty on skelp at higher rates than on other hot rolled strips s disputed by a manufacturer on the ground that the two terms skelp and strips were practically synonymous. The Supreme Court their judgment dated 31st day of January 1975 in Civil Appeal No. 1527 of 1974 (Union of India and other Vs. the Tata Iron and eel Co. Ltd.) upheld the contention of the manufacturer, and observed:

> "Since the duties on Strip and Skelp are not the same, it is absolutely necessary to define the word skelp so that there can be no doubt or confusion in the mind of either of the taxing authority or of the tax payer with regard to the tax liability qua skelp as opposed to strip."

all along the legislative intent has been to differentiate in respect of levy, assessment and collection of duties between skelp and ip, an explanation is being added to the aforesaid item 26AA so as to define 'Skelp' retrospectively from 24-4-1962 in order to vali- te the levy, assessment or collection of duties already made from that date onwards. Provision is also being made for reopening e past assessments, wherever necessary, for collecting duty on 'Skelp' at the appropriate rates effective from time to time.

[Clause 37]

C—Changes Proposed by Notifications

#	3(1)	Tea, all varieties except package tea and instant tea	Kg.	Rs. 2.00	NC	340
		Effective rates				
		Zone I	Kg.	Re. 0.25	Re. 0.40	
		Zone II	Kg.	Re. 0.50	Re. 0.60	
		Zone III	Kg.	Rs. 1.50	Rs. 1.40	
		Zone IV	Kg.	Re. 1.00	Rs. 1.10	
		Zone V	Kg.	Rs. 1.15	Rs. 1.30	

Along with the above changes in duty, it is simultaneously proposed, as an export promotion measure, to raise the upper limit or rebate of excise duty on teas exported, from 75 paise to 85 paise per kg.

2. Loose green tea will continue to pay the present excise duty.

.*	4 II(2)	Cigarettes		250%	NC	750 B [70 AY)
		Effective rates				
		(*i*) Cigarettes of which the value per 1000 does not exceed Rs. 10/-		85%	90%	
		(*ii*) Others		85% plus 3% for every additional rupee or part thereof in excess of a value of rupees 10 per 1000 cigarettes.	90% plus 3% for efery additional rupee or part thereof in excess of a value of rupees 10 per 100 cigarettes.	

NOTE :— (*i*) There is no change in the present effective rates of Additional duty of excise.
(*ii*) The present effective rate of Auxiliary duty of excise which is 10% of effective Basic duty of excise continues unchanged.
(*iii*) Additional revenue under "AY" which is consequential to the changes in the rates of Basic duty of excise has already been taken into account under Part 'B'

3.*	4 II(4)	Smoking Mixtures for pipes and cigarettes		200%	CC	3 B [neg. AY]
		Effective rates		150%	155%	

NOTE :— (*i*) There is no change in the present effective rate of Additional duty of excise.
(*ii*) The present effective rate of Auxiliary duty of excise which is 10% of effective Basic duty of excise continues unchanged.
(*iii*) Due to this change in Basic duty, additional revenue under Auxiliary duty is negligible.

1	2	3	4	5	6	7
4.*	10	Furnace Oil	KL	Rs. 100.00	NC	80
	Effective rate		KL	Rs. 70.75	Rs. 100.00	

L. S. H. S. falling under this item used for electricity generation will continue to be completely exempt. The present concession rate for Furnace Oil supplied to Bunker Coastal Vessels also remains unaltered.

5.	# 13	Vegetable Product				160

It is proposed to modify the rebate scheme for use of cotton seed oil in the manufacture of vegetable product. No rebate woul be admissible in future for the first 30% usage of cotton seed oil as against nil rebate for the first 15% usage at present. The structure of the existing rebate scheme will be continued intact except for this increase in the minimum percentage.

6.	# 15	Soap				180

It is proposed to modify the present rebate scheme for use of rice bran oil in the manufacture of soap as follows:—

(*a*) no rebate will be made admissible for first 25% use of rice bran oil as against present nil rebate for first 15% use o such oil;

(*b*) for every additional percentage point increase, a rebate of Rs. 3.50 per tonne of soap would be made available a against the present rebate of Rs. 7.50 per tonne of soap.

7.	# 18E	Yarn all sorts, N. E. S.	Kg.	Rs. 50.00	NC	460 (Rs. lakhs)

Effective rates

1. Yarn containing partly synthetic staple fibre on non-cellulosic origin and partly wool, the content of such synthetic staple fibre being more than 50 per cent by weight of such yarn—if non-cellulosic fibre content of it is—	(In Rs. per Kg.)	
(*i*) 60 per cent or more	15.00	24.00
(*ii*) more than 56 per cent but less than 60 per cent	12.00	19.20
(*iii*) more than 50 per cent but not more than 56 per cent	10.00	16.00
2. Yarn containing partly synthetic staple fibre of non-cellulosic origin other than acrylic fibre and partly any other fibre or fibres (excluding wool) if the non-cellulosic fibre content, by weight, of such yarn is		
(*i*) 50 per cent or more	15.00	24.00
(*ii*) less than 50 per cent but not less than 25 per cent	12.00	19.20
(*iii*) less than 25 per cent but more than 10 per cent	10.00	16.00
(*iv*) 10 per cent or less	7.50	12.00
3. Yarn containing partly synthetic staple fibre of cellulosic origin and/or cotton and partly wool, provided that the content of synthetic staple fibre of cellulosic origin and/or cotton is more than 50 per cent, by weight of such yarn: If the wool fibre content of it is—		
(*i*) 40 per cent or more, but less than 50 per cent.	8.00	12.80
(*ii*) 20 per cent or more but less than 40 per cent.	6.00	9.60
(*iii*) less than 20 per cent.	4.00	6.40
4. Yarn containing partly wool and/or acrylic fibre and partly any other fibre or fibres provided that the wool and/or acrylic fibre content is more than 50 per cent by weight of such yarn—		
(1) worsted yarn—		
(*a*) Hand knitting—	(Rs. per Kg.)	
(*i*) grey	3.20	5.10
(*ii*) processed and/or dyed	10.60	17.10
(*b*) Hair belting yarn	Nil	Nil
(*c*) Others		
(*i*) of 40 counts and above	15.00	24.00
(*ii*) of above 20 counts but below 40 counts	5.75	9.20
(*iii*) of 20 counts and below	3.20	5.10
(2) Yarn (containing not less than 60 per of wool and not more than 5 per cent of virgin wool) commonly known as shoddy	1.00	1.60
(3) All others	2.50	4.00

10
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10
10
50

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1	2	3		4	5	6	7
		5. Yarn containing partly silk fibre and partly any other fibre or fibres, provided that the silk fibre content is more than 50 per cent by weight of such yarn.			15.0	24.00	
		6. Yarn containing two or more of (a) Synthetic staple fibre of cellulosic origin , (*b*) jute and (*c*) cotton, provided that the jute content, if any, is less than 50 per cent by weight of such yarn. —					
					(Rs per Kg.)		
		(NF Counts) of or more counts	less than		Rs	Rs	
		84	—		2.50	4.00	
		69	84		2.00	3.20	
		51	69		1.75	2.80	
		40	51		1.50	2.40	
		34	40		1.00	1.60	
		29	34		0.90	1.45	
		22	29		0.40	0.65	
		14	22		0.20	0.30	
		—	14		0.10	0.15	
		7. Yarn containing partly jute and partly any other fibre or fibres (other than cotton fibre and synthetic staple fibre of non-cellulosic origin), provided that the jute content is more than 50 per cent by weight of such yarn.					
		8. Yarn, not otherwise specified			10.00	16.00	
		In the case of yarn mentioned against Sl. Nos. 1(iii), 3, 5 and 8 the duty shall be reduced further by Rs 2/- per Kg if such yarn is of 34 counts or less.					
		9. Yarn containing two or more of (*a*) synthetic staple fibre of cellulosic origin (*b*) jute (including Bimplipatam jute or mesta fibre) and (*c*) cotton, wherein the jute (including Bimplipatam jute or mesta fibre) content, if any, being less than 50 per cent by weight of such yarn and falling under Item No. 18E and of the description specified below (This is for yarn used under special procedure)					
					(In paise per sq. m.)		
		1. Yarn used in making cotton fabrics falling under sub-item I(1) of item No. 19			5.00	NC	
		1A. Yarn used in making superfine fabrics			30.00	40.00	
		2. Yarn used in making fine fabrics			20.00	27.00	
		No change is proposed in respect of yarn used in making Medium A, Medium B, Coarse fabrics and Malimo type of fabrics.					
		10. Yarn containing two or more of (*a*) synthetic staple fibre of cellulosic origin, (*b*) jute (including Bimplipatam jute or mesta fibre) and (*c*) cotton, wherein the jute (including Bimplipatam jute or Mesta fibre) contents, if any, being less than 50 per cent by weight of such yarn and falling under Item No. 18E and contained in fents, rags and chindies arising out of cotton fabrics produced by factories working under the special procedure, and of the description specified below:					
					(In Rs. per Kg.)		
		1. Yarn contained in fents of cotton fabrics falling under sub-item I(1) of item No. 19			0.30	NC	
		1A. Yarn contained in fents of superfine fabrics			4.00	5.40	
		2. Yarn contained in fents of fine fabrics			1.40	1.90	
		No change is proposed in respect of yarn contained in fents of Medium A, Medium B, Coarse fabrics and Malimo type of fabrics					

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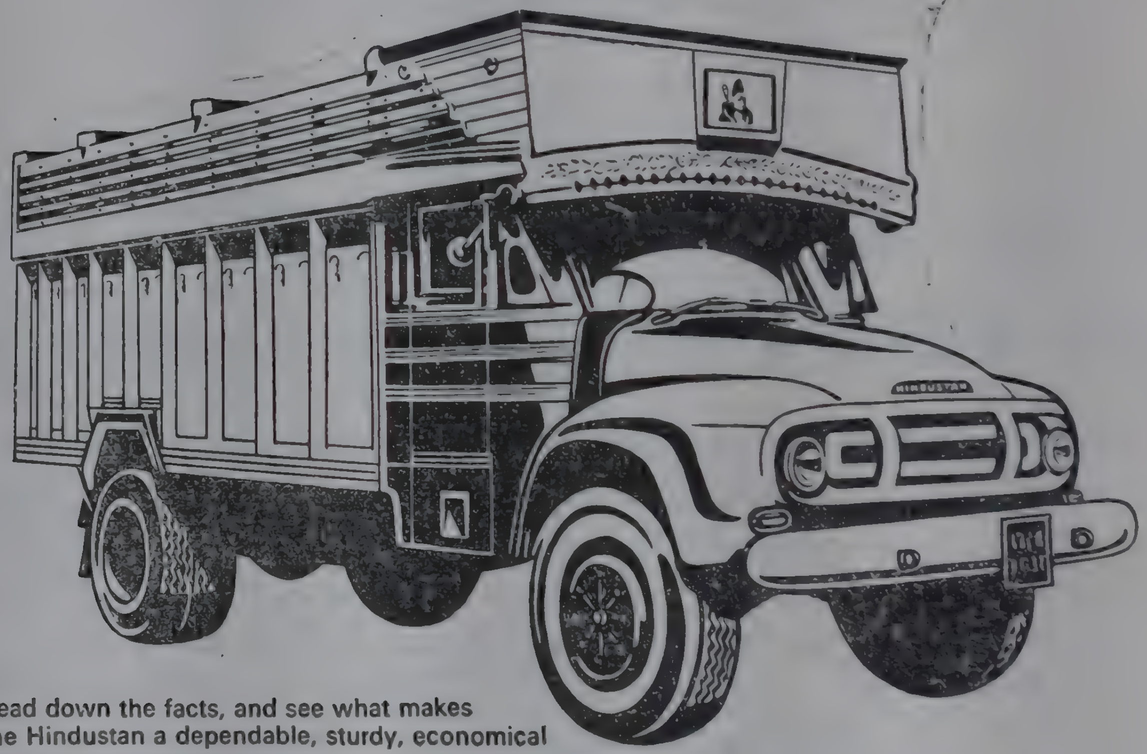

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HINDUSTAN MOTORS

HINDUSTAN
— the profit-earning vehicle

CC/HM-2/75

2	3	4	5	6	7

19 Cotton fabrics 500

It is proposed to put quantitative limits upto which fents and rags of cotton fabrics may be cleared at existing concessional rates. Fents and rags cleared in excess of the prescribed limit will be required to pay higher duty. These steps are intended to discourage deliberate cutting of good fibrics to claim special concessional duty applicable to genuine fents and rags.

2. It is also proposed to fix a uniform rate of compounded duty of Rs 200/- per loom per year for units where not more than 40 powerlooms are installed.

(Rs. lakhs)

≠ 22 Art silk fabrics (—)2200

It is proposed to exempt completely from basic duty of excise, processed art silk fabrics whose value does not exceed Rs 15 per sq. metre. [See also notes under S. No. 19 in Part A. Processed fabrics whose value exceeds Rs. 15 per sq. metre will pay basic duty of excise at 5 per cent as against the present rate of 9.5 per cent.

2. All processed fabrics, irrespective of value, will continue to pay the present additional duty of excise (in lieu of sales tax) and Hand-loom cess.

† 34A Motor vehicle parts 12

Gudgeon pins and circlips have been included in the dutiable list. However, when intended for use as original equipment, they will not have to bear this duty.

37 Cinematograph films— 150

II. Exposed—

	Existing		Proposed	
	of a width of 30 mm or higher	below 30 mm in width	of a width of 30 mm or higher	below 30 mm in width
	(Rs. per metre)			
(1) news-reels and shorts not exceeding 500 metres	1.00..	0.50	NC	NC
(2) feature films, advertisement shorts and films N.O.S.	2.00	1.00	NC	NC

fective rates on films exposed

Description	Existing			Description	Proposed		
	less than 30 mm width	Width 30mm or more			less than 30 mm width	Width 30mm or more	
		does not exceeds 4000 metres in length	exceeds 4000 metres in length			does not exceed 4000 metres in length	exceeds 4000 metres in length
	(i)	(ii)	(iii)		(i)	(ii)	(iii)
				(In Paise per metre)			
Films made in colour (other than advertisement shorts) if cleared for home consumption							
(*a*) *First 12 prints*	Nil	Nil	Nil	(*a*) First 15 prints	(*i*) *Nil *(if the total No. of prints cleared for home consumption does not exceed 15)	Nil	Nil
(*b*) *Next 8 prints*							
(*i*) First 3 prints	10	15	20		(*ii*) 10	15	25
(*ii*) Balance 5 prints	10	15	20	(*b*) Next 10 prints	25	35	60
(*c*) *Next 15 prints*							
(*i*) First 5 prints	20	25	40				
(*ii*) Balance 10 prints	20	25	40	(*c*) Next 15 prints	50	80	120
(*d*) *Next 15 prints*							
(*i*) First 5 prints	35	50	75				
(*ii*) Balance 10 prints	35	50	75	(*d*) On balance	8	150	200

1	2			3	4		
(*e*) *Next 10 prints*	60	90	125				
(*f*) On the balance	85	150	200				
II. Films made in black and white (other than Advertisement shorts) if cleared for home consumption							
(*a*) *First 12 prints*	Nil	Nil	Nil	(*a*) First 15 prints	(*i*) Nil	Nil	Nil *(if the total No. of prints cleared for home consumption does not exceed 15)
(*b*) *Next 8 prints*							
(*i*) First 3 prints	10	15	20		(*ii*) 5	10	20
(*ii*) Balance 5 prints	10	15	20	(*b*) Next 10 prints	15	20	40
(*c*) *Next 15 prints*							
(*i*) First 5 prints	15	25	40				
(*ii*) Balance 10 prints	14	25	40	(*c*) Next 15 prints	35	50	75
(*d*) *Next 15 prints*							
(*i*) First 5 prints	25	40	60				
(*ii*) Balance 10 prints	25	40	60				
(*e*) *Next 25 prints*	40	60	80	(*d*) On the balance	60	80	100
(*f*) *On the balance*	60	80	100				

NOTE :—(1) Prints cleared for home consumption after 12 months from the date of certification by Central Board of Film Censors, which were hitherto exempted, will in future pay duty at appropriate rates indicated above according to the print numbers and duty slabs applicable.

(2) Advertisement shorts which were so far assessed on slab basis at rates applicable to feature films, will now pay duty at uniform rate irrespective of the No. of prints. For advertisement shorts of width 30 mm and above, the rate will be rupees two per metre, if coloured, and rupee one per metre if in black and white. In the case of advertisement shorts of width less than 30 mm, these rates will be one rupee per metre if coloured and fifty paise per metre if black and white.

					(Rs. lakhs)
12.	# 37 A.	Gramophones, etc. and parts thereof.			50

Certain categories of amplifiers and speakers and speaker systems which are not dutiable at present, have now been subjected to duty.

13.	37AA.	Tape recorders (including cassette recorders)	Rs. 250/- each	NC	(—) 3
		Effective rates	Rs. 250/- each	Rs. 100/- each	

Present complete exemption to tape recorders including cassette recorders produced in a small-scale unit judged by the criterion of initial capital investment on plant and machinery not exceeding Rs 7.5 lakhs, continues.

14.	66	Permanent magnets	50%	NC	(—) 65
		Effective rate	50%	25%	

There is no change in the present complete exemption to permanent magnets, other than cast-alloy magnets containing (*a*) cobalt or (*b*) nickel or (*c*) both.

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NEW DELHI: Chaudri House, 10-A Kasturba Gandhi Marg, New Delhi 110001
MADRAS: Indian Bank Building, 1st Floor, 17, North Beach Road, Madras 60000[illegible]
COCHIN: Chathuruthi Bldg., 1st Floor, Mahatma Gandhi Road, Ernakulam,
Cochin 682011

AIYARS. ECGC. [illegible]

ABSTRACT—CENTRAL EXCISE

S. No.	Tariff Item No.	Commodity	Additional Revenue in one full year							
			Basic		Additional		Auxiliary		Total	
			(+)	(–)	(+)	(–)	(+)	(–)	(+)	(–
1	2	3	4	5	6	7	8	9	10	1
		I—Existing Items				(Rs. lakhs)				
1	1	Sugar	4635	—	350	—	—	—	4985	—
2	3(1)	Tea	340	—	—	—	—	—	340	—
3	4	Tobacco	2629	—	480	—	—	421	2688	—
4	6	Motor spirit	1800	—	—	—	—	—	1800	—
5	10	Furnace oil	800	—	—	—	—	—	800	—
6	13	Vegetable product	160	—	—	—	—	—	160	—
7	14D	Synthetic organic dyestuff	375	—	—	—	75	—	450	—
8	14F	Cosmetics and toilet preparations	230	—	—	—	115	—	345	—
9	15	Soap	180	—	—	—	—	—	180	—
10	16	Tyre flaps	200	—	—	—	—	—	200	—
11	17	Paper	735	—	—	—	245	—	980	—
12	18	Rayon and synthetic fibre and yarn	4940	—	—	—	—	—	4940	—
13	18A	Cotton yarn	1210	—	—	—	—	—	1210	—
14	18E	Yarn, all sorts, NES	460	—	—	—	—	—	460	—
15	19	Cotton fabrics	500	—	—	—	—	—	500	—
16	22	Art silk fabrics	—	2200	—	—	—	—	—	2200
17	23	Cement	1450	—	—	—	145	—	1595	—
18	23A	Glass and glass-ware	380	—	—	—	—	—	380	—
19	23B	Chinaware and porcelain-ware	190	—	—	—	—	—	190	—
20	26AA	Iron or steel products	—	—	—	—	—	—	—	—
21	27	Aluminium	1125	—	—	—	375	—	1500	—
22	29A	Air conditioners and parts thereof	360	—	—	—	—	—	360	—
23	32	Electric fans	150	—	—	—	—	—	150	—
24	33A	Wireless receiving sets	—	—	—	—	—	—	—	—
25	33B	Electric wires and cables	280	—	—	—	—	—	280	—
26	34A	Motor vehicle parts	12	—	—	—	—	—	12	—
27	37	Cinematograph films—exposed	150	—	—	—	—	—	150	—
28	37A	Gramophones and parts	50	—	—	—	—	—	50	—
29	37AA	Tape recorders	—	3	—	—	—	—	—	3
30	43	Wool tops	—	—	—	—	—	—	—	—
31	48	Safes and strong boxes	60	—	—	—	—	—	60	—
32	66	Permanent magnets	—	65	—	—	—	—	—	65
		Total of I above	23401	2268	830	—	955	421	24765	2268
		Net	21133		830		534		22497	
		II—New Levies								
1	67	Graphite Electrodes, etc.	150	—	—	—	—	—	150	—
2	68	All other goods N. E. S.	2400	—	—	—	—	—	2400	—
		Total of new levies	2550	—	—	—	—	—	2550	—
		Grand Total of I & II	23683	—	830	—	534	—	25047	—

SUMMARY

	Centre	States	Total
	(Rs in crores)		
(*a*) Basic duty	189.47	47.36	236.83
(*b*) Additional duty (in lieu of sales tax)	—	8.30	8.30
(*c*) Auxiliary duty	5.34	—	5.34
Total	194.81	55.66	250.47

Amendment of Central Sales Tax Act, 1956

Under Article 269(1)(g) of the Constitution taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-state trade or commerce, are levied by the Government of India but are assigned to the States; collections in the union territories form part of the Consolidated Fund of India. Further, Article 286(3) of the Constitution empowers the Parliament to declare by law any goods as of special importance to inter-State trade or commerce and to lay down restrictions and conditions in regard to the system of levy, rates and other incidents of tax subject to which any state law might authorise the imposition of tax on sale or purchase of such goods.

Under section 8(1) of the Central Sales-tax Act, 1956, the rate of sales-tax in respect of inter-state sales either to government or to registered dealers of goods of the description specific in section 8(3) of that Act, which are meant for resale, or for manufacture, etc., is three per cent. It is proposed to increase this rate to four per cent. However, if the rate of sales-tax obtaining in the state in which the goods are purchased is less than four per cent, the lower rate will be applicable. The new rate will become effective from the 1st July, 1975.

It is also proposed to amend section 8(2)(a) of the Act to provide that inter-state sales of declared goods not falling within section 8(1) aforesaid would be taxable at twice the rate applicable on sale or purchase of such goods inside the appropriate State. The amendment has been proposed with a view to ensuring flow of inter-state trade through media of registered dealers.

The amendment of section 15 of the Central Sales-tax Act, 1956 is with a view to raise from three per cent to four per cent, the ceiling prescribed in respect of sales-tax on goods declared to be of special importance in inter-state trade or commerce. This is a permissive amendment and would enable the states to re-fix the rates of local sales-tax on coal, cotton, cotton-yarn, hides and skins, iron and steel, jute and oil-seeds within the increased ceiling, if they so desire, with effect from the July 1, 1975.

[Clause 38]

Kandla Free Trade Zone offers you something new to maximise export earnings

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Import Licences to meet raw material requirements for buffer stock upto 12 months

Exemption from customs and additional (countervailing) duty on consumable raw materials, components, spares, tooling and packaging materials imported

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Exemption from Central Excise duties of specified excisable indigenous raw materials brought into the Zone

Transport subsidy equal to 1% of the f.o.b. value of exports

Finance at a concessional rate available from Gujarat State Financial Corporation, Gujarat Industrial Investment Corporation etc.

Exemption from tax levy under the Gujarat Sales Tax Act on raw materials, machinery, components, packaging material etc. brought into the Zone

Exemption from municipal taxes and octroi duty

Exemption from Income tax on 20% of profits for 10 years

Non-restriction on the line of manufacture so long as it is 100% export-oriented and is not reserved exclusively for public sector. Import of items banned in the rest of the country, with a few exceptions, is also permitted

Concessions such as cash assistance, duty drawbacks etc. as are available to units in the domestic tariff area exporting out of India, on capital goods, equipments, raw materials, components, spare tooling and packaging materials supplied to the Zone from the rest of the country

Special facilities, on merits, of blanket permits of foreign exchange for visits abroad for export promotion without any condition of export performance

AND MANY MORE

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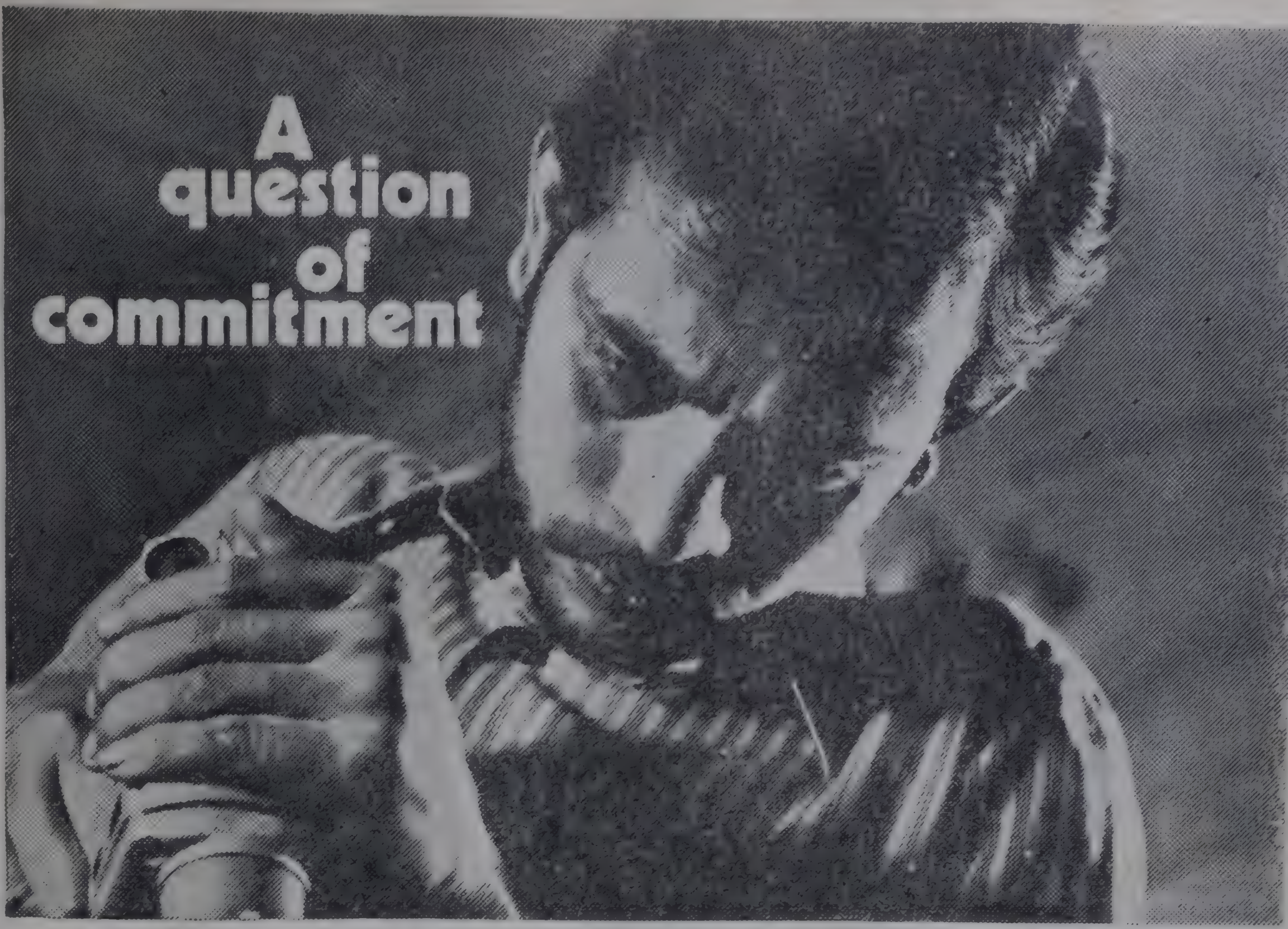
davp 74/413



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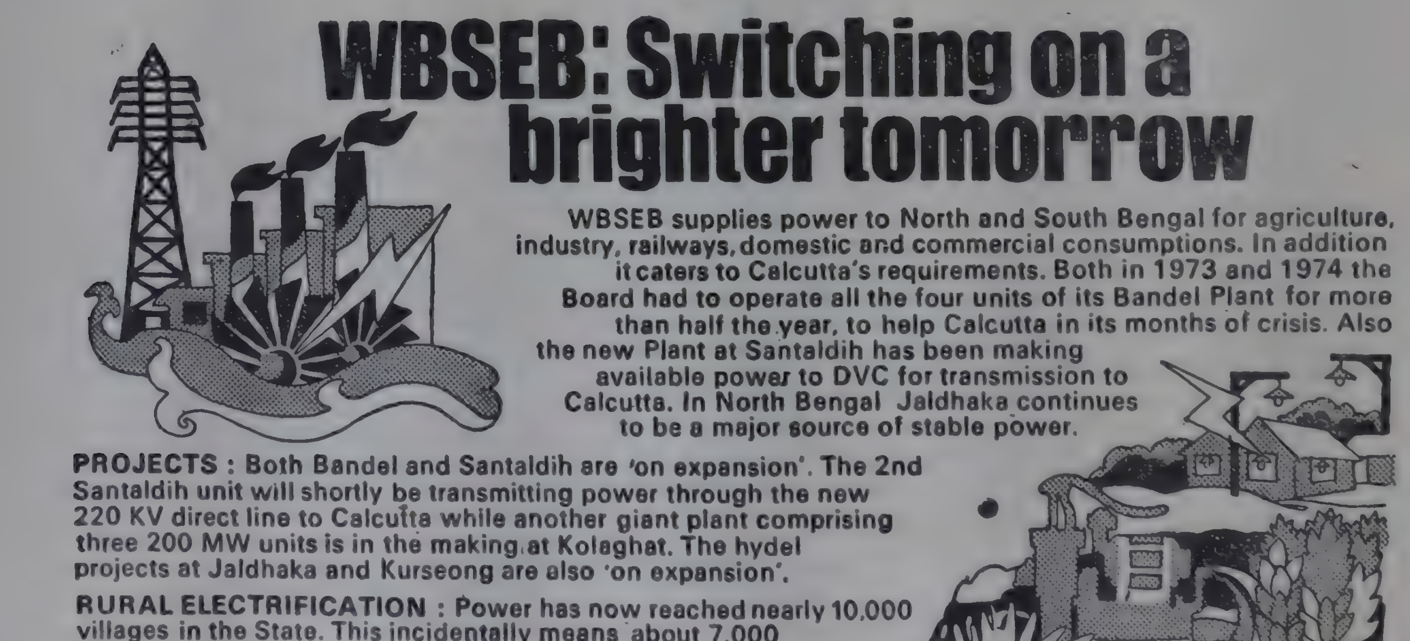

WBSEB: Switching on a brighter tomorrow

WBSEB supplies power to North and South Bengal for agriculture, industry, railways, domestic and commercial consumptions. In addition it caters to Calcutta's requirements. Both in 1973 and 1974 the Board had to operate all the four units of its Bandel Plant for more than half the year, to help Calcutta in its months of crisis. Also the new Plant at Santaldih has been making available power to DVC for transmission to Calcutta. In North Bengal Jaldhaka continues to be a major source of stable power.

PROJECTS : Both Bandel and Santaldih are 'on expansion'. The 2nd Santaldih unit will shortly be transmitting power through the new 220 KV direct line to Calcutta while another giant plant comprising three 200 MW units is in the making at Kolaghat. The hydel projects at Jaldhaka and Kurseong are also 'on expansion'.

RURAL ELECTRIFICATION : Power has now reached nearly 10,000 villages in the State. This incidentally means about 7,000 villages have been electrified in just over thirty months.

FINANCE : The Board is doing all it can to raise resources. Recently there has been an upward revision of tariff to cover higher rates of fuel, freight and other items. Smooth flow of funds from financial institutions will ensure timely completion of projects for the targeted increase in generation of power by more than 1000 MW by the end of 5th Plan.

GEARED TO THE NEED FOR MORE POWER

WEST BENGAL STATE ELECTRICITY BOARD

TCP/WBSEB312/74

External assistance

N BELOW is a brief
iption of the assistance
ne form of loans and
ts received from friendly
gn countries and inter-
onal organisations. The
nates of net flow of ex-
al assistance during the
1974-75 and 1975-76 are
marised in Table I :

Two statements, one show-
amounts of loans authori-
and the sums drawn against
n and another showing the
ayments in respect of each
n are added at the end.

A—Loans

Loans from the USA

Loans extended by the
ted States government
o December 31, 1974
ounted to $8116.64 million
t of cancellation).

(i) *Loans from US AID*:
ans from US AID total
560.45 million net of can-
ations. These are repay-
e in dollars. Repayment
scheduled for 40 years,
h no payments of principal
ing a grace period of first
years.

Besides loans to govern-
nt, certain loans have been
en by the AID directly to
vate and public sector
dertakings. The repayment
such loans is governed by
special loan repayment
ocedure agreements between
Government of India and
US AID. In these cases the
ns are repaid in rupees by
borrowers to the govt.
India in varying numbers of
talments according to the
ms of the loan agreements.
e government assumes liabi-
y for payment to AID in
llars of the principal
nount in 40 years with a
oratorium of 10 years.

(ii) *PL 480 convertible*
irrency credit.—The PL 480
ommodity Agreements signed
nce 1967 also provide for
port of agricultural commo-
ties against convertible local
irrency credit which will be
nalogous to other dollar
redits. This credit is repayble in 31 annual instalments beginning 10 years after the imports are made.

The US government have so far provided debt relief to the extent of $34.92 million by deferring principal and interest payments during theye ars 1968-69 to 1971-72. From 1972-73 the debt relief assistance is in the form refinancing credits repayable in 20 equal annual instalments excluding a grace period of seven years. The debt relief for the year 1972-73 and 1973-74 was $ 29.14 million and $ 29.34 million respectively. The debt relief for the year 1974-75 is estimated at $ 45.00 million.

(iii) *Loans from US Exim Bank.*— Loans from the US Export Import Bank for financing the imports from USA of capital equipment and related spares and services to the end of 1974 amount to $ 346.66 million. These loans are repayable in dollars in 20-23 semi-annual instalments commencing after an initial period of moratorium extending upto five years.

II. Loans from the USSR

The Soviet assistance for India's economic development commenced in 1955 with eight credit agreements (the latest signed in December 1966) for a total value of 1225. 36 million Roubles. These are government credits, cconfined to public sector projects towards the basic and heavy industries and development projects included in the five year Plan.

2. Soviet credits carry an interest at 2½ per cent per annum and are generally repayable over a period of 12 years starting one year after the completion of shipments of equipment required for putting the project into operation. Exceptions are the credit for the drugs project for roubles 18 miilion which was repayable in seven years, and the credit for the Bokaro Steel Plant under which repayment of the principal starts one year after a given amount is disbursed. There are no commitment charges payable on the Soviet credits and interest is charged on the amount drawn.

3. Both the payment of interest and repayment of principal are made in Indian Rupees which are utilised by the Soviet authorities for purchase of Indian goods in accordance with the Indo-Soviet Trade and Payments Agreement in force at the time.

4. Among the projects which have been financed wholly or in part with Soviet assistance are the Bhilai and Bokaro Steel Plants; the Heavy Machine Building Plant, Ranchi, a larger number of power projects such as Neyveli, Korba, Singrauli; the Kota Precision Instruments Project; exploration for oil and gas; the Barauni and Koyali Refineries; the Coal Mining Machinery Plant: the Ophthalmic Glass Project, etc.

5. USSR have provided two million tonnes of wheat on loan. Its replacement to the Soviet Union would commence two years after full delivery and be effected in the course of five years in equal annual instalments. On the basis of the issue price prevailing at the time of the shipments were required in India, Food Corporation of India has paid R
202 crores to government fo
the wheat.

III. Loans from the UK

1. The UK governmen
have been extending long term
loans through the Aid India
Consortium since its formation
in 1958. The total value of the loans granted upto December, 31, 1974 has been £701.4 million. In addition to the above, a credit of £ 11.5 million was extended to the government of India by Lazard Brothers heading a Syndicate of British banks for the setting up of the Durgapur Steel Plant. A financial agreement was also signed by the government of India with Barclays Bank Ltd, UK for the amount of £2.55 million in October, 1966 to provide foreign exchange for the import of raw material and components required by M/s. AVB Durgapur for manufacture of two boilers each for the thermal power Station at Santhaldih of the West Bengal Electricity Board and for DVC.

2. The terms of British aid have progressively softened over these years and these credits are now repayable over a period of 25 years with a grace period of seven years. The credits are also now complete-

TABLE I

Estimates of Net flow of External Assistance in 1974-75—1975-76

(In crores of rupees)

	Budget Estimates 1974-75	Revised Estimates 1974-75	Budget Estimates 1975-76
Loans			
Receipts	+849.79	888.32	928.47
Repayments	—297.32	—293.39	—315.78
Interest Payments	—169.37	—166.90	—172.11
Grants			
PL 480	+11.60	16.40	—
Others	+12.12	71.72	37.50
Net	406.82	516.25	471.08

ly interest free. Quantitatively, the British aid has been showing an upward trend. The total quantum of aid increased from £ 47 million in the year 1969-70 to £51.5 million in 1970-71 and to £ 54.5 million in the year 1971-72. The credit agreements signed during the year 1972-73 and 1973-74 amounted to £ 71.5 million and £ 73 million respectively. Agreements for £ 39.4 million have been signed upto December, 31, 1974 and for £ 55.6 million are expected to be signed before March 31, 1975. The assistance from UK is discernible into Project aid and non-Project aid as under:

3. Project Aid

Out of the total economic assistance of £ 701.4 million the project assistance has been of the order of £225.50 million. The project assistance is (a) for the financing of large value projects by meeting their requirements under the UK-India Mixed Project Loans and (b) for the import of capital goods that are needed for India's economic development being met from the UK-India Capital Investment Loans.

4. The principle on which the British project aid is administered is known as 'partial funding' system. This method of financing permits the foreign exchange requirements of large value projects by ensuring them their year to year offtake of British aid funds. In short, under this system a number of projects are simultaneously taken up for British aid financing, their yearly foreign exchange requirements being met out of the current Mixed Project Loan with their further requirements of foreign exchange till completion of the project assured out of future Mixed Project Loans. This form of assistance has been helpful for financing large value projects in the priority and core sectors of our economy.

5. Non-Project Aid

The Non-project aid forms a substantial part of aid given by the UK government and comprises of Balance of Payment Assistance, Debt Relief Assistance, Kipping Loans, Food Relief Assistance and others. The UK-India Maintenance Loans are for the import of non-project goods from Britain. Amongst these are raw materials, spare parts and components required to service India's agricultural and industrial production.

The total debt relief assistance received so far from Britain is £75.4 million.

6. Terms of Lending by the UK

The loans granted in the second Plan were repayable over a period varying from 6½ to 20 years whereas those extended in the third Plan were repayable over a period of 25 years with a grace period of 5 to 7 years.

Following the Consortium meeting heldon June 5, 1963 the UK government waved payment of interest for the first seven years for loans made in 1963-64 and thereafter. Commencing with the General Parpose Loan Agreement signed on October 20, 1965, no interest is payable on their loans. The present loans, as stated earlier, are all repayable over 25 years inclusive of a grace period of seven years with no interest payments or service charges.

IV. Loans from Canada

The loans from Canada (a) Wheat Loans, (b) Ex Development Corporation dits, and (c) Develop Loans. The credits agains Wheat Loan amounted Canadian $33.00 million purchase of wheat and fl The Export Development poration Credits are medi term supplier credits from government owned Ex Development Corporation Canada, amounting to $120.09 million. The Deve

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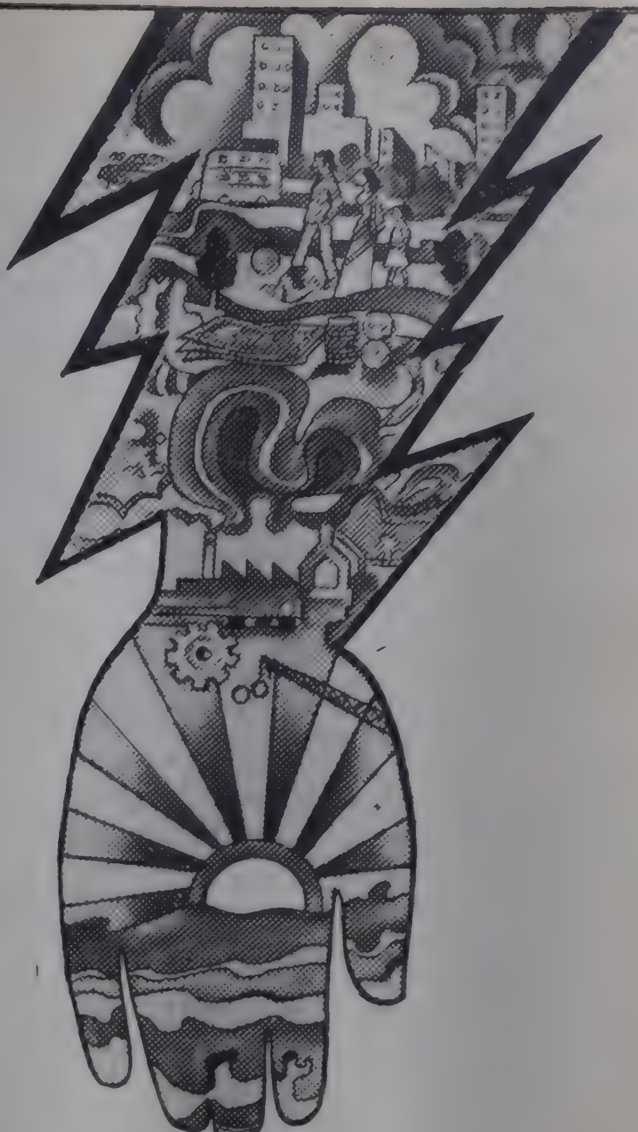

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ment Loans amounted to C. $437.08 million.

2. Canadian development aid is channelised through Canadian International Development Agency (CIDA) and has so far come in the shape of, (a) grants for food and non-food items, (b) non-project loans for purchase of industrial commodities, fertilisers and miscellaneous capital goods and (c) project loans for meeting the import requirements of specific projects. In addition, Canada extended credits through the government owned Export Development Corporation (EDC).

3. The non-project assistance mainly relates to import of commodities, fertilisers and capital goods while the project assistance was extended to Rana Pratap Sagar Project, Oil and Natural Gas Commission, port handling equipment at Kandla and Haldia, Synthetic Rubber Project, Second Satellite Communication, diesel loco works etc.

4. The general terms and conditions of loans extended by Canada are given in Table II.

Debt Relief

5. Canadian government had provided debt relief since 1968-69 in the form of postponement for 10 years of specified principal payments as well as cash grant in lieu of waiving of interest due on payments so postponed.

V. Loans from the Federal Republic of Germany

The government of Federal Republic of Germany have so far committed loan assistance to India to the extent of DM 6245.16 million. The assistance provided is made available for utilisation through specific agreements signed with Kreditanstalt Fur Wiederaufbau (KFW), the German Bank for Reconstruction. Agreements totalling DM 6029.93 million have so far been signed with the KFW. The credits so made have been used for for financing specific projects such as Rourkela Steel Plant, Mysore Iron & Steel Works, Neyveli Lignite Mining Project, coal washeries, railways, Telco etc. and for purchase of commodities like fertilizers, capital goods, components, machinery and raw materials. The terms of W. German loan have been soft particularly in respect of loans pertaining to more recent years. Until 1968-69 the period of repayment was 25 years with a grace period of seven years. This has been improved upon since 1969-70 to 30 years repayment period including grace period of eight years. The grace period has been increased to 10 years in respect of agreements concluded from 1972-73.

The Federal Republic of Germany have also provided assistance in the form of "debt relief" as part of Consortium Aid to India in the form of refinancing repayments of earlier loans, earmarking of certain portions of commodity credit for the financing of purchases from third countries and foregoing a portion of interest on certain earlier loans and treating it as a grant to the govt. of India. The total value of debt relief received or committed so far is DM 874.05 million.

During 1974-75, the Federal Republic of Germany is also providing grants up to DM 10 million for Rural Development Programme.

VI. Loans from Japan

The Japanese government have so far extended eighteen credits for a total amount of 267.34 billion Yen through the Japanese Export Import Bank, intended for purchase in Japan of equipment for railways, power projects, fertiliser projects, petrochemicals and fibre projects, coal and iron ore mining and processing equipment, for ports, machine tools, ships, other industrial machinery and components, etc. The loans are repayable over a period of 10 to 20 years, with a grace period of 3 to 7 years.

The above excludes Japanese assistance for debt rescheduling of principal repayments for 59.51 billion Yen from 1967-68 to 1973-74 and 815 million Yen out of the First Yen Credit relating to Shipping Corporation of India. Debt relief expected for 1974-75 is 12.14 billion Yen.

VII. Loans from Switzerland

The government of Swiss Confederation had up to the end of December 31, 1974 provided four credits totalling 300 million Swiss Francs for capital goods & machinery required for development programmes. This includes a development loan of 35 million Swiss Francs signed in October 1973 for capital goods and services for 400 KV Sub-stations being constructed at Obra, Sultanpur and Lucknow in Uttar Pradesh. The transfer credits are made available through a consortium of banks and by Swiss government. The credits cover generally 90 per cent of the FOB value of the goods contracted for and financed under the credits, the balance of 10 per cent being met by importers from free foreign exchange made available. The credits through a consortium of banks are repayable in 10 years from the date they are made use of with a grace period of 3—5 years while the government credit are repayable in 15—40 year

VIII. Loans from Czechoslavakia

The government of Czechoslovakia has signed thre credit agreements with th government of India for total value of Rs 176.20 crores.

2. Among the project which have been financed under these credits are, Foundr Forge Plant, Ranchi, Heav Machine Tools Project, Ranchi High Pressure Boiler Plant Tiruchirapalli, Heavy Powe Equipment Plant, Hyderabac Heavy Duty Electric Locomotives, components for manufacture of turboblowers an compressors at Hyderabad Bharat Heavy Plate an Vessels Works. Vishakhapatnam, Ennore Thermal Powe Station, Ajmer Machine Too Factory etc.

The terms and condition of the credits are given i Table III :

3. Under all the three credits both the repayment o principal and payment o interest are made in rupee

TABLE II

Terms and Conditions of Canadian Loans

Nature of Credits	Terms and Conditions
1. Wheat Loans . . .	Repayable in seven equal an nual instalments—intere at 4 per cent
2. Export Development Corporation Credits.	Repayable between 15 to 2 years—Interest at 6 per cen
3. Development Loans .	Repayable over a period of 5 years—Free of intere charges.

TABLE III

Terms and Conditions of Czechoslavak Loans

	Rate of Interest	Period c Repaymer
First credit	2½%	8 year
Second and Third credits	2½%	12 year for capi tal good 8 year for com ponents.

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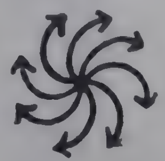

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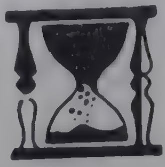
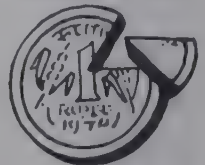


Others offer
ECONOMIC OPERATION



A few offer
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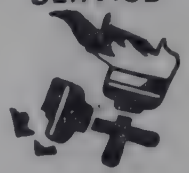
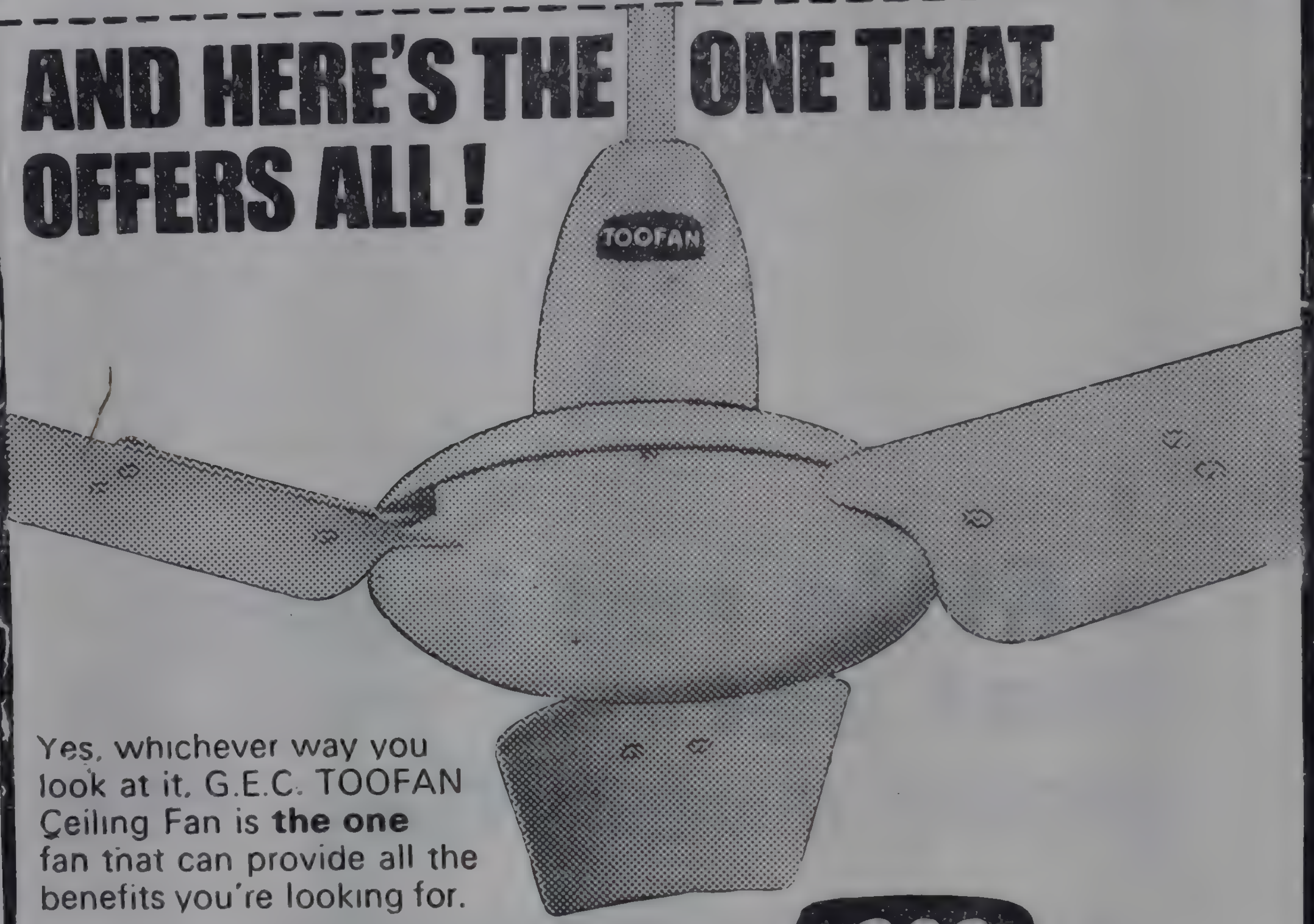


AND HERE'S THE ONE THAT OFFERS ALL !



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are utilised by the Czech ities for the purchase of goods according to the on of the Indo-Czech Plan.

ans from Yugoslavia

e government of Yugo- have extended two credits otal sum of Rs 28.48 s for purchase of ships for import of capital ; and equipment for r projects, marine diesel es, for fisheries etc. While rst credit is repayable in consecutive semi-annual ments within such periods ay be specifically agreed the contracts, the second t of Rs 60 crores was ly suppliers credit, govern- credit constituting only) lakhs.

oans from Poland

he government of Poland extended three credits for al value of Rs 38.16 crores. credits were repayable over riod of 8-12 years and ed a rate of interest @2½ cent per annum. Both the nent of principal and the nent of interest are made upees which are utilised by Polish authorities for the hase of Indian goods rding to the provisions of Indo-Polish Agreement.

Loans from Austria

The Austrain government e so far extended eight lits for a total amount of 85 million Austrian Schil- for purchase of Austrian ds. These credits are re- ible in consecutive half ly instalments over a period 0 to 18 years including a ce period of 2 to 7 years.

he government of Austria also extended seven credits 223.74 million A.S. for re- ncing of repayment of prin- al in respect of the earlier ns. Debt Relief for 1974- is estimated at A.S. 56.86 lion.

. Loans from Netherlands

The Netherlands have so extended credits for .5 million Dutch Guil- s for purchase of capital ods and raw materials. This n addition to the financial (export) credits pledged to the extent of 97.8 million Dutch Guilders. These loans are repayable over a period of 19 to 23 years. Debt Relief of DG. 2,31 million, DG 2.18 million in the shape of reduction in interest payment was granted during the year 1972-73 and 1973-74.

A sum of DG 12.76 million (Rs 3 crores) is expected for 1974-75 towards Debt Relief from the Netherlands as an out-right grant assistence.

XIII. Loan from Denmark

The government of Denmark have extended five credits to the extent of 165 million Danish Kroners for purchase of dairy machinery and capital goods. The credits are payable over a period of 12-25 years. In addition, Denmark has provided food assistance for 60 million Danish Kroners for purchase of fertilisers and milk products. The credit is repayable over a period of 20 to 25 years.

The government of Denmark waived the repayment of principal of 16.64 million Danish Kroners repayable during the year 1974.75 to 1978-79.

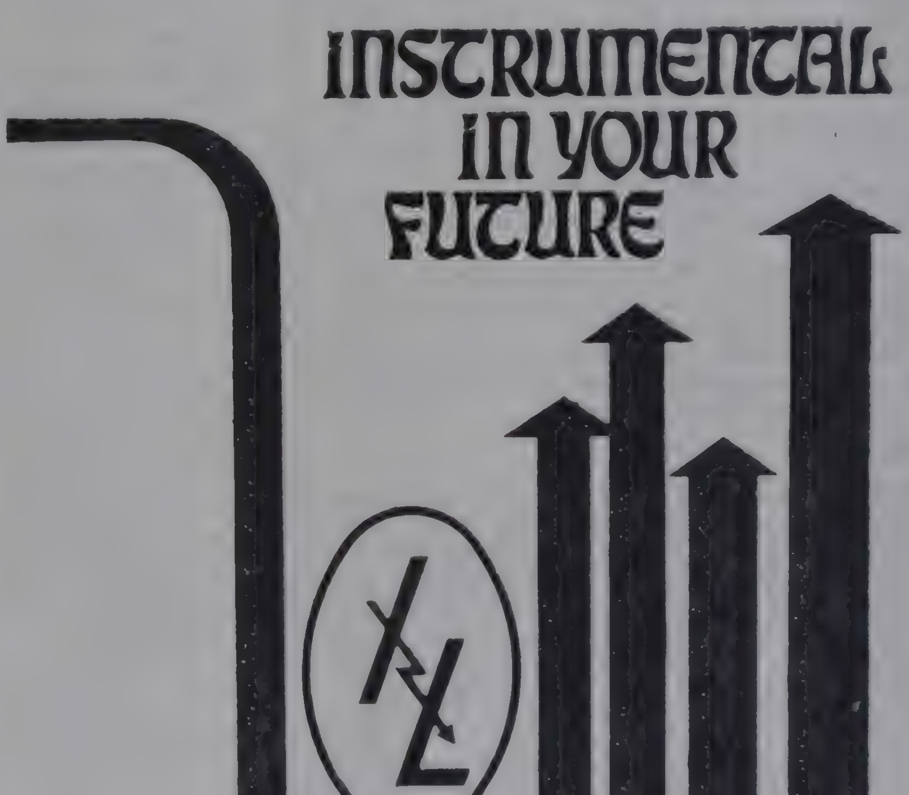
XIV. Loans from Sweden

The government of Sweden have so far extended eight development credits aggregating 558.90 million Swedish Kroners for the procurement of goods and services for dairy projects, electricity power systems, for procurement of fishing trawlers drilling and mining equipment and materials and eqnipment for Indo-Swedish joint industrial ventures and Wheat Storage Project undertaken by the Food Corporation of India. The first four credits are repayable in semi-annual instalment over a period of 25 years with a grace period of 10 years. The rest are repayable over a period of 50 years with a grace period of 10 years.

The government of Swedan have agreed to extend cash assistance in lieu of reimbursements on account of commodity imports made from Sweden. A sum of Rs 7.54 crores on this account is expected to be received in 1974-75. In addition a sum of Rs 65 lakhs is also expected in 1974-75 towards reduction in the payment of interest on earlier loans.

XV. Loan from Bahrain

Special Indian Rupee notes and Indian coins which were in circulation in Bahrain ceased to be legal tender from 1965 and were replaced by a new



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local currency. According to agreement with the government of Bahrain the Indian currency exehanged with the government of Bahrain and returned to the Reserve Bank of India has been transferred to the government of India and the amount so transferred was treated as a loan from the government of Bahrain to the government of India repayable in sterling. This loan amounted to Rs. 7.86 crores. One-third of the Loan amounting to Rs 2.62 crores was paid on April 30, 1966. The balance is payable in ten equal annual instalments commencing from February 5, 1967.

Procedure for registration with D.G.S. & D. New Delhi.

OBJECT OF REGISTRATION

The main object of registration of firms as approved suppliers is to facilitate the location of reliable sources of supplies of various items as and when demands are received from the several Indenting Departments of the Government of India including Defence, Railways and Post and Telegraphs. It may also include purchases by the DGS &D on behalf of the State Governments and the Public Sector Undertakings. These purchases embrace practically all types of stores excluding food-stuffs and live-stock. The annual purchases made through D.G.S. &D. extend over quite a few hundred crores of rupees.

2. BENEFITS OF REGISTRATION:

Firms registered with DGS &D enjoy the following benefits:—

(i) Rate Contracts and Running Contracts are normally awarded to registered firms only.
(ii) Operational demands are normally reserved for supply by registered firms.
(iii) Normally 80% of the quantity against express and urgent demands is reserved for supply by registered firms. Even ordinary demands are mostly covered from registered suppliers.
(iv) Demands which are not advertised are met from registered firms.
(v) In case of advertised demands, copies of the notice are sent to registered firms, giving them advance information of the demands.
(vi) The State Governments and Public Undertakings at their discretion waive the requirements of Security Deposit from firms registered with D.G.S. & D.
(vii) Registration with DGS &D raises the firms' status in business not only with Government Departments but also with foreign firms and establishments.

3. APPLICATION FORM

All firms in India and in foreign countries are eligible for registration. The application must be made to DGS &D, New Delhi, in the prescribed application form. Indian firms (SSI Units and Non-SSI Units) may purchase application form from DGS &D, New Delhi or Director of Supplies & Disposals Calcutta/Bombay/Madras/Kanpur on payment of Rs. 5/- either at the counter or by Money Order. Application for registration in the prescribed form should be submitted alongwith a Treasury Challan for Rs. 50/- in respect of Non-SSI Units and Rs. 25/- in the case of SSI Units on production of certificate by the firms from the State Director of Industries or the NSIC authorities to the effect that the units are registered with them as bonafide Small Scale/Cottage Industry Units, indicating the Revenue Head of Account—Major Head—"057- Supplies and Disposals, Minor Head "Other receipts" and sub-detailed Head "Other items".

The above rates are also applicable in respect of renewal of registration. These rates will come into force w.e.f. 1st April, 1975.

4. CATEGORIES OF REGISTRATION.

(i) Manufacturers.
(ii) Sole Selling Agents/Sole Distributors of Manufacturers registered.
(iii) Stockists (a) of Imported stores.
    (b) of indigenous stores such as Timber, Hides and Skins and Cotton Waste.
(iv) (a) Foreign firms who are manufacturers, and
    (b) Accredited agents in India of foreign firms registered.

It pays to get registered as approved supplier with the Directorate General of Supplies & Disposals.

davp 74/495

XVI. Loans from Italy

The government of Italy under an agreement signed in 1966 offered a credit of 1250 million Liras for the import of fertilizers from that country and, if required. for the payment of the transportation expenses relating to them. The credit is repayable over a period of fifteen years in 25 equal half-yearly instalments. Italy has also offered three debt relief credits amounting to 12,625 million Italian Liras,

XVII. Loans from Belgium

The government of Belgium have so far extendcd nine credits for a total amount of 1585 million Belgium Francs (inclusive of debt relief) for purchase of Belgium goods in connection with the development plans of the government of India. The loans are repayable over a period of 17 to 20 years and carry rate of interest between 2-3 per cent.

XVIII. Loans from France

The government of France have so far extended 19 credits aggregating FF 1718 million. Twelve credits amounting of FF 1460 million are for import of raw materials, components and capital machinery etc, from France. The remaining seven credits for FF 258 million are cash credits towards Debt Relief. The credits are repayable over a period of 10 to 25 years.

XIX. Loans from Hungary

The government of Hungarian People's Republic extended a credit of Rs 250 million (out of which an amount of Rs 75 million was earmarked as suppliers credit) on June 15, 1966 to finance import of plant, machinery, equipment, etc. required for complete projects. The credits are to the extent of 85 per cent of the FOB value and are repayable in 10 annual instalments after the shipment of last consignment.

XX. Loan from Bulgaria

The government of Bulgaria extended a credit o 112.5 million on May 1967 for the establishmen various industrial enterpr of which Rs 30 million re sents suppliers' credit. credit is to the extent of per cent to meet the cos machinery of the F.O.B. repayable in all equal y instalments commencing year after the final shipme

XXI. Loan from Qatar

Special Indian Rupees w were in circulation in the States of Qatar, Dubai were withdrawn by these S during 1966 and 1967 an turned to the Reserve Ban India. The amount of rupee notes returned by States aggregating Rs crores has been transferre April, 1968 to the govern of India repayable in ste One-fifth of the loan am ing to Rs 2.58 crores was on the April 5, 1968. balance is payable in e equal annual instalments mencing from January 1,

XXII. Loan from Rumania

The government of ple's Republic of Rum have so far extended two cr for Rs 455.9 million tow external assistance, des plant and machinery in establishment of refiner Gauhati and for economic technical cooperation. credit assistance given in A 1968 is to the extent of 85 cent of the FOB value re able in 10 equal annual in ments.

XXIII. International Bank Reconstruction & Develop

The IBRD has been g ing loans for various dev ment projects in India 1949. The aggregate valu the loans to the central direct is $ 673.31 million comprise of loans for the ways, Agricultural M nery Project, the DVC, Koyna Project in Mahara State, development of pr collieries (coal Indu Kothagudem Stage II Pr in Andhra Pradesh, cons tion of transmission line various state electricity b

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agencies, expansion of
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/. International Develop- ent Association

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C and Koyna Project,
inage Project, Developmeat
Bombay Port, Development
elecommunications, Indus-
l Imports, Railway Projects,
ver Transmission, Agricul-
al Credit Projects in diffe-
t States, Cochin II Ferti-
r, Wheat Storage and Agri-
tural Aviation, Gorakhpur
tilizer Expansion, Agricul-
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rvice Charge of $\frac{3}{4}$ of one per
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e cost.

XV. Miscellaneous Credits

The repayment of miscella-
ous credits would amount to
3.10 crores duting 1974-
and Rs 0.94 crores during
75-76

XVI. New Credits

In addition to the various
ans mentioned above, dra-
als from new credits are
expected to amount to Rs. 248.05 crores during 1975-76.

B—Grants

1. Assistance under the Colombo Plan

Assistance under the Colombo Plan, in the form of equipment, materials, etc. and services of experts, is received mainly from Australia, Canada, Japan, New Zealand and the United Kingdom. This includes grants in kind in the shape of raw materials for industry, equipment for dairy development, equipment for College of Engineering, Delhi, Tea Research Association, Central Mechanical Engineering Research Institute, Tata Memorial Centre, Post-Graduate Institute of Medical Research, Chandigarh, Indian Institute of Technology, Jawaharlal Institute of Post-Graduate Medical Education and Research, Pondicherry, non-project non-commodity imports for private sector, etc. Assistance is also currently being received from Australia for sheep breeding farm at Hissar, and Barapetta and for the Modern Bakeries (India), Ltd. Japan is providing assistance for the Dandakaranya Agricultural Development Project and also in the field of Leprosy Control.

Canada is assisting India for importing modern mining technology to miners at the Khetri Copper Project, Rajasthan. They are also assisting in equipping National Institute of Oceanography's first Oceanographic Research Vessel *Gaveshani*. The UK govern ment have agreed to assist India through the Indo-UK Dry land Farming Project at Indore. The assistance for this project will comprise of expert services and equipment spread over a period of five years.

II. Assistance from the USA

Grants Under PL 480

A sum of Rs 16.40 crores being the unspent balance in the 'Transition Account' of US government. in the Public Account was transferred to the Consolidated Account of India in July, 1974 has been reckoned as a grant receipt in the RE 1974-75. No grant is expected during 1975-76.

Grants from US Aid

US Aid had extended in June, 1970, a grant of $ 20 million for Family Planning Programe. An amount of $1.70 million was available under this grant and has been fully utilised during the year 1974-75.

III. Assistance from the Sweden, Norway, Federal Republic of Germany New Zealand, Ireland and Denmark.

Under an agreement signed in May, 1972, Sweden is supplying free of cost 20,000 tons of paper valued at Rs 35 million. The sale proceeds of the paper are to be utilised for development schemes included in the five year Plan. Sweden is also providing the services of Swedish experts, equipment and supplies and training awards for Indian personnel sent for training in Sweden. A sum of Rs 59 lakhs and Rs 30 lakhs has been assumed as assistance in 1974-75 and 1975-76 respectively.

The government of Norway has proposed to provide development assistance to the extent of N. Kr. 160 million during the period 1973 to 1976 in various fields such as development of fishing industry, Post Partum Programme / Mother - Child Health Programme, supply of fertilisers and other equipments for fisheries. Details of the proposals will be worked out from time to time between India and Norwegian authorities.

Federal Republic of Germany continued to extend technical assistance in the shape of equipment, materials and services of experts to the various Indo-German projects in the country

TO MEET HER HALF-WAY

The capital of Andhra Pradesh — Hyderabad — has in recent years become the focal-point of vigorous industrial development, south of the ageless Vindhya. The location of many a prestigious project like the Bharat Heavy Electricals, the Indian Drugs and Pharmaceuticals, a unit of the Hindustan Machine Tools, the Electronics Corporation of India, and the HindustanAeronautics to mention a few of the central Public Sector units and the Republic Forge Company and the Indo-Nippon Precision Bearings in the State Public Sector, besides numerous projects in the joint and the private sectors, testifies to the growing attraction of Hyderabad for the location of new industrial ventures.

During 1973-74, the Government of India have granted industrial licences for fifty industries — in the large-scale sector — involving a total outlay of Rs. 161.67 crores, with an employment potential of 17,000 persons. Indeed, this represents a substantial progress considering the fact that during 1972-73 licences were given to 60 industries involving an investment of Rs. 67 crores.

Andhra Pradesh extends a warm welcome to entrepreneurs to break fresh ground here. Today in this State opportunity is looking out for men. It is hoped there will be enough people to meet her half-way.

THE DIRECTOR OF INFORMATION
AND PUBLIC RELATIONS
GOVT. OF ANDHRA PRADESH.

and facilities for training of Indian nationals in various technical fields in West Germany. A sum of Rs 2.56 crores towards the cost of TV equipment to be received In 1975-76 has been assumed in the budget of 1975-76.

The government of Ireland have provided cash assistance to meet the foreign exchange cost of the import requirements of the Regional Sophisticated Instrumentation Centre at the IIT, Madras to the extent of £ 150,000 in 1974-75.

The government of Denmark continues to provide considerable assistance for Animal Husbandry Project in India, Cancer Control Project in Kerala and Tool Room Projects in Bangalore. The development assistance for new projects would be for the setting up of an Abbatoir in Mysore and for PTC Leather Project.

Governments of Denmark and New Zealand have also provided assistance by way of equipment and frozen semen for production of high yielding cross-breed milk cattle in large number in selected milk-shed areas and intensive cattle development project areas by intensive cross-breeding of local cows with use of imported semen from superior bulls of breeds like Jersey, Holstein etc. and for strengthening the activities of Frozen Semen Bank, Hessarghatta and supply to cattle breeding units in different states—Rs 25 lakhs from Denmark and Rs 10 lakhs from New Zealand have been assumed as their assistance in 1975-76.

WITH BEST WISHES FROM
The Oriental Fire & General Insurance Co. Ltd.
(Subsidiary of General Insurance Corpn. of India)
Registered Office:
Jeevan Udyog, Asaf Ali Road, New Delhi.
PREMIUM INCOME IN 1974 EXCEEDS Rs. 65 CRORES.
ALL CLASSES OF GENERAL INSURANCE BUSINESS TRANSACTED.
REGIONAL OFFICES
AT
BOMBAY, DELHI, CALCUTTA AND MADRAS
AND
55 DIVISIONAL OFFICES
AND A NET-WORK OF BRANCHES IN INDIA
ALSO FOREIGN OPERATIONS
IN
Kathmandu (Nepal)
Kuala Lumpur (Malaysia)
Penang (Malaysia)
Singapore
Dubai (Arabian Gulf)
Hong Kong
Kabul (Afghanistan)
Kenya
Kuwait
Mahe-Seychelles-(Victoria)
Mauritius
ORIENTAL FOR SERVICE
AND
OVERALL PROTECTION

IV. Assistance from Canada

Grant assistance from Canada to be received during 1974-75 would amount to C$ 41.70 million consisting of (i) commodity assistance in the form of supply of rapeseed/oil worth C$ 16.70 million and (ii) wheat worth C$ 25.00 million. Grant assistance during 1975-76 is expected to be of the order of C$ 15.20 mililon, consisting of C$ 15.0 million for rapeseed/oil and C$ 0.20 million to cover the costs of the supplier's assistance in the installation and commissioning of the equipment in the Kundah powerhouses (Stage IV Extension). Credit for Rs 13.74 crores in the revised and for extinates Rs 12.54 crores in the budget extinates for 1975-76 on this account has been assumed on the revenue side.

V World Bank/SIDA

Under an agreement with International Development Association (IDA) and SIDA signed on June 14, 1972 a grant of $ 10.6 million from SIDA and a credit of $ 21.2 million from IDA will be made available for the India Population Project for intensicfiation of Family Planning Programme, Rs. 2.03 crores and Rs 2.10 crores respectively have been assumed in RE 74-75 and BE 75-76 on this account.

V. UN and EEC

Assistances to the extent of Rs 20 crores from EEC in RE as well as in BE 75-76 and Rs 23 crores from UN in 75-76 are expected to be received as emergency relief for the most seriously affected developing countries.

VII. Assistance under the United Nations Development Programme (UNDP)

Technical assistance is received by India under the
United Nations Developm
Programme (UNDP) in
form of provision of the
vices of experts and equipm
and training facilities
Indian personnel abroad.

2. Technical assista
was earlier received fr
UNDP on project to pro
basis. However, with effect f
January 1, 1972 a new sys
of "Country Programme"
been introduced. This inv
ves a time-framed progran
approach and the programm
of UNDP assitance at
country level on the basi
an Indicative Planning Fig
constituting an order of m
nitude of the resources
pected to be available fr
UNDP during the period c
red by the Country Progr
me.

3. The UNDP at its
erning council session hel
June, 1972 has approved
Country Programme for In
with an Indicative Plan
Figure of $ 50.00 million
five-year period 1972—76.
actual deliveries receive
1972 and 73 amounted $
million. The UNDP pro
in pipeline, awaiting appr
are in the order of $ 1
million.

VIII. Other Assistance

The Ford Foundatic
private non-government
anthropic Organisation,
been providing assistanc
India's development activ
coinciding with five
Plans The assistance, is
the form of training of pr
personnel abroad, provisi
equipment not indigen
available and also in
cases of experts. Grants w
$2.29 million this year
$ 2 million next year are
pected to be received.
tance is also received
certain specialised agenci
the United Nations Or
sation such as United Na
Technical Assistance Adm
tration, United Nations
cial Fund, United Na
Children's Emergency
etc.

India Tourism Development Corporation

Created in 1966 to establish a solid infrastructure for international tourism, ITDC is today the largest accommodation chain in the country—the only organisation with nation-wide facilities stretching from deluxe hotels to inexpensive Travellers Lodges. ITDC's transport network is co-extensive with this, the only one operating throughout India. Publicity and publication services by ITDC support tourism promotion activities abroad and at home. Ancillary facilities include entertainment and Duty Free Shops.

A Review 1969-74

(Rs in lakhs)

		1969-70	1970-71	1971-72	1972-73	1973-74
Financial Aspects	Paid-up Capital	237.91	596.84	721.84	901.84	1051.84
	Gross Block including Capital-work-in-progress	163.61	1001.04	1270.84	1646.69	1954.33
	Turnover	111.21	565.13	655.80	934.46	1088.55
	Gross Profit	11.71	110.01	118.56	187.94	217.82
	Net Profit	2.65	22.56	1.69	26.89	38.16
	Gross Return on Equity Capital	4.92%	18.43%	16.42%	20.84%	20.71%
	Estimated Foreign Exchange Earnings	25.00	295.00	310.00	420.00	525.00
	Internal Resources Generated	9.07	72.96	95.29	146.07	159.94
Physical Aspects	**Accommodation**					
	Rooms	135	1251	1505	1718	1816
	Transport					
	Cars & Coaches	71	140	150	204	205
	Sound & Light Shows	1	1	1	3	3

Fourth Plan Highlights

- Foreign exchange earnings estimated at Rs. 15 crores.
- Plan utilization 96% of ITDC's Rs. 12.77 crore outlay.
- New Accommodation
  11 new units. 600 new rooms at **Akbar Hotel, Qutab Hotel,** New Delhi; **Hotel Ashoka,** Bangalore; **Kovalam Grove; Temple Bay,** Mahabalipuram, **Varanasi Hotel; Khajuraho Hotel; Laxmi Vilas Palace Hotel,** Udaipur; **Aurangabad Hotel; Hassan Motel; Jammu Motel.**
- More Transport
  15 new units at Jaipur, Patna, Madras, Srinagar, Khajuraho, Aurangabad, Hyderabad, Agra, Bombay, Udaipur, Bodhgaya, Bangalore, Kovalam, Calcutta and Varanasi. Fleet strength 205.
- Two new Sound & Light Shows : Sabarmati Ashram, Shalimar Gardens.
- A new Duty Free Shop at Madras.

Achievements 1973-74

Turnover up from Rs 934.46 lakhs in 1972-73 to Rs 1088.55 lakhs in 1973-74.

Net profit up from Rs 26.89 lakhs to Rs 38.16 lakhs.

Foreign exchange earnings rise from Rs 420.00 lakhs to Rs. 525.00 lakhs.

HOTELS

New Delhi
Ashoka Hotel
Akbar Hotel
Qutab Hotel
Hotel Janpath
Hotel Ranjit
Lodhi Hotel

Aurangabad
Aurangabad Hotel

Bangalore
Hotel Ashoka

Calcutta
Airport Hotel

Khajuraho
Khajuraho Hotel

Mysore
Lalitha Mahal Palace Hotel

Udaipur
Laxmi Vilas Palace Hotel

Varanasi
Varanasi Hotel

BEACH RESORTS

Kovalam
Kovalam Palace Hotel
Kovalam Grove

Mahabalipuram
Temple Bay

MOTELS

Hassan
Hassan Motel

Jammu
Jammu Motel

Plus 15 Travellers Lodges around the country.

CAR RENTAL & TOURS

Agra
Aurangabad
Bangalore
Bodhgaya
Bombay
Calcutta
Hyderabad
Jaipur
Khajuraho
Kovalam
Madras
Mysore
New Delhi
Patna
Srinagar
Udaipur
Varanasi

Do You Know

i) that different species of wood, hitherto used only as firewood, are now used as raw material in the manufacture of RAYON-GRADE PULP?

ii) that GWALIOR RAYONS, MAVOOR, was the first and foremost to find out the suitability of such species of wood for the manufacture of Rayon-grade Pulp?

iii) that MURUKKU (Erythrina Indica) and UPPOOTHY (Macaranga Peltata), among those woods, are outstandingly good as raw material for Pulp?

iv) that GWALIOR RAYONS, MAVOOR, will be pleased to receive offers for such species of wood for producing Rayon-grade Pulp?

Contact

THE GWALIOR RAYON SILK MFG. (WVG.) CO. LTD.,
(PULP DIVISION)
Birlakootam – MAVOOR – Kozhikode Dt.
KERALA

Grams : "WOODPULP" Calicut
Telex : 084-216.
Phones : 3973 & 3974 (Calicut)
51 & 52 (Mavoor)

External Assistance

Annexure I

(Statement of Receipts)

(In lakhs of Rupees)

Details of Loans	Amount of loans authorised	Actuals up to 1965-66	Actuals up to 1968-69	Actuals 1969-70	Actuals 1970-71	Actuals 1971-72	Actuals 1972-73	Actuals 1973-74	Revised 1974-75	Estimated balance as on 31-3-75 at post devaluation rate of exchange	Budget 1975-76
1	2	3	4	5	6	7	8	9	10	11	12
					COUNTRIES						
-Loans from U.S.A. :											
) American Wheat Loans	90,31	90,31	...	...	...	...	...	...	...	...	...
ii) Development Assistance Loans	61,91	61,91	...	...	...	...	...	...	...	...	...
ii) D.L.F./A.I.D. Loans	18,93,12*	6,65,28	6,24,98	1,11,42	1,84,87	1,52,54	37,93	63,00	30,56	47,22	9,82
v) Asian Economic Development Fund Loan	8,74	8,46	39	...	...	...	...	...	...	...	...
(*v*) P.L. 480 Rupee Loans	15,24,00	5,28,85	7,71,40	60,50	50,00	...	12,12	...	...	...	...
vi) P.L. 480 Convertible Local Currency Credit	3,30,35	...	1,03,88	62,00	44,40	1,03,09	4,46	...	...	...	...
ii) U.S. Export Import Bank Loans :											
(*a*) First Loan	71,43	71,43	...	...	...	...	...	...	...	...	...
(*b*) Second Loan	23,81	23,81	...	...	...	...	...	...	...	...	...
(*c*) Third Loan	11,90	11,90	...	...	...	...	...		...	...	...
(*d*) Fourth Loan	11,90	3,36	12,84	...	...	...	...	...	...	...	...
(*e*) Credit for Diesel Loco Works, Varanasi (I Tranche)	9,05	8,71	75	...	...	...	...	...	...	...	...
(*f*) Credit for Diesel Loco Works, Varanasi (II Tranche)	8,10	7,29	1,28	...	...	...	...	...	...	...	...
(*g*) Credit for Diesel Loco Works, Varanasi (III Tranche)	9,57	...	9,64	4		...	...	...	...	...	...
(*h*) Fifth Loan	15,00@	...	...	4,02	10.98	...	...	...	...	...	...
(*i*) Loans to Air India :											
First Loan	2,29	2,29	...	...	...	...	...	...	...	...	...
Second Loan	4,53	4,53	...	...	...	...	...	...	...	...	...
(*j*) Sixth Loan	11,25@	...	...	...	91	9,67	...	...	...	...	...
(*viii*) Debt Relief	21,86@	...		...	...	...	...	...	...	...	...
(*ix*) Debt Relief (1974-75)	33,75@	...	...	...	...	...	...	...	33,75 4,81(b)	...	80(b)
Total	41,42,87	14,88,13	15,25,16	2,37,98	2,91,16	2,65,30	54,51	63,00	69,12	47,22	10,62
.—Loans from U.S.S.R. :											
(*i*) Bhilai Loan	64,74	64,74	...	...	...	...	...	...	...	...	...
(*ii*) Industrial Enterprises	59,53	44,51	1,99	36	30	21	1	1	1	20,72	5
(*iii*) Drugs Credit	9,52	9,46	8	...	...	...	...	...	...	...	...
(*iv*) Barauni Credit	11,91	11,31	55	2	...	1	...	...	...	...	...
(*v*) 337·5 million Rouble Credit	1,78,58	1,33,55	23,60	3,2	11,4	61	56	69	1,50	38,17	2,00
(*vi*) 112·5 million Rouble Credit	59,53	18,49	24,54	2,14	3,26	1,07	2,64	10,72	5,00	...	5,00
(*vii*) Bokaro Credit	1,05,82	...	72,08	43,53	31,18	8,44	4,28	87	1,20	5,08	1,20
(*viii*) 300 million Rouble Credit	2,50,00@	...	13,64	48	87	3,69	1,03	1,50	8,00	2,20,80	12,00
Total	7,39,63	2,82,06	1,36,48	49,55	36,75	14,03	8,52	13,79	15,71	2,84,77	20,25
II—U.K. Credits:											
) U.K. Government Loans :											
(*i*) Durgapur Credit	20,00	20,00	...	...	...	...	...	...	...	...	...
(*ii*) Second E.C.G.D. Credit	38,00	38,00	...	...	...	...	...	...	...	...	...
(*iii*) U.K. India (Oil Pipe Line) Credit	4,00	4,00	...	...	...	...	...	...	...	...	...
(*iv*) U.K. India (General) Credit, 1959	25,33	25,33	...	...	...	...	...	...	...	...	...
(*v*) First U.K. India (General) Credit, 1960	13,33	13,33	...	...	...	...	...	...	...	...	...
(*vi*) Second U.K. India (General) Credit, 1960	6,67	6,67	...	...	...	...	...	...	...	...	...

---

*Rs. 8,99,00 lakhs at pre-devaluation rate of exchange and Rs. 9,94,12 lakhs at post-devaluation rate of exchange.

NOTES : (*i*) Figure shown under Columns 2 to 4 of this statement are at pre-rupee devaluation rate (except where otherwise specified) and figures in later columns are at post-rupee devaluation rate.

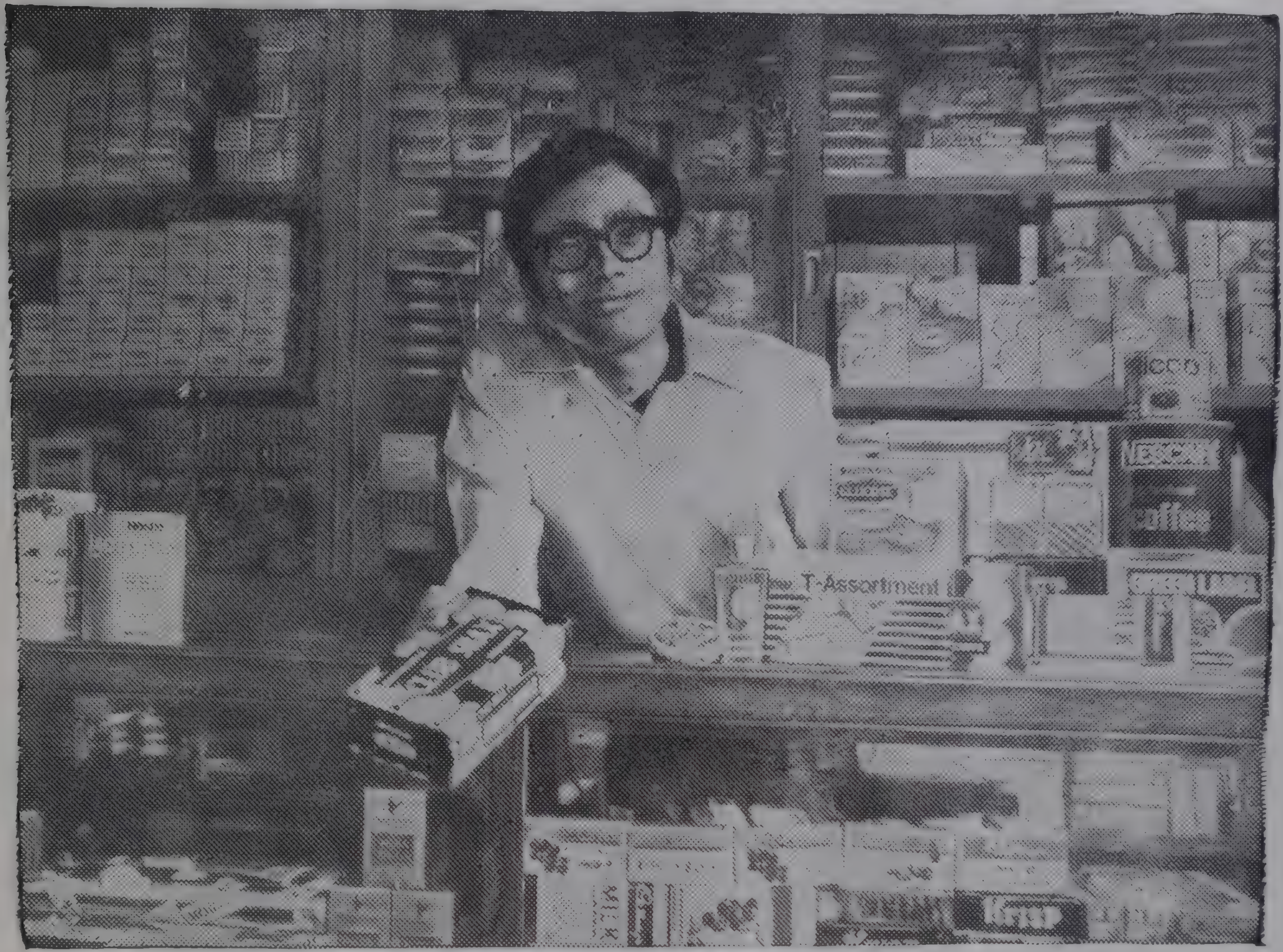
(*ii*) Figures shown in Columns 2 to 10 are departmental actuals.
@ at post-devaluation rate of exchange.

(*b*) Exchange variations.

1	2	3	4	5	6	7	8	9	10	11
(*vii*) First U.K. India (General) Credit, 1961	13,33	13,33	...	...	...	...	...	...	...	...
(*viii*) U.K. India (Five-Year Plan) Credit, 1961	40,00	37,19	4,15	...	...	...	...	...	...	...
(*ix*) Second U.K. India (General) Credit, 1961	6,67	6,67	...	...	...	...	...	...	...	...
(*x*) First U.K. India (General) Credit, 1962	13,33	10,42	4,41	...	...	...	...	...	...	...
(*xi*) U.K. India (Durgapur Extension) Credit, 1962	29,33	15,48	7,01	2,24	1,47	59	2,05	...	...	...
(*xii*) Second U.K. India (General) Credit, 1962	6,67	6,67	...	...	...	...	...	...	...	...
(*xiii*) U.K. India (Five-Year Plan) Credit, 1962	17,33	9,83	8,74	97	...	...	...	...	...	...
(*xiv*) U.K. India (Steel) Credit, 1963	4,67	4,27	61	...	...	...	...	...	...	...
(*xv*) First U.K. India (General) Credit, 1963	13,33	13,33	...	...	...	...	...	...	...	...
(*xvi*) Second U.K. India (General) Credit, 1963 (Kipping Loan I)	5,33	2,19	3,34	1,43	56	...	...	...	...	...
(*xvii*) First U.K. India (General) Credit, 1964	6,67	6,67	...	...	...	...	...	...	...	...
(*xviii*) First U.K. India (Bhopal) Credit, 1964	3,33	1,36	2,90	...	...	...	...	...	...	...
(*xix*) First U.K. India (Five Year Plan) Credit, 1964	6,67	1,68	4,79	81	1,49	...	...	...	...	...
(*xx*) Second U.K. India (General) Credit, 1964	13,33	13,33	...	...	...	...	...	...	...	...
(*xxi*) Second U.K. India (Five Year Plan) Credit, 1964 (Oil India Ltd)	2,00	...	2,93	13	..	...	...	...	...	...
(*xxii*) Third ,U.K. India (Five Year Plan) Credit, 1964	2,03	...	1,54	99	34	...	...			
(*xxiii*) Fourth U.K. India (Five Year Plan) Credit, 1964	1,33	...	95	94	...	...	...	...	...	...
(*xxiv*) Third U.K. India (General) Credit, 1964 (Loan II)	5,33	...	5,39	1,70	48	...	...	...	...	...
(*xxv*) Fifth U.K. India (Five Year Plan) Credit, Kipping 1964 (For Singareni Collieries)	1,67	40	1,57	24	...	...	...	...	...	...
(*xxvi*) Second U.K. India (Bhopal) Credit, 1964	2,67	17	3,55	11	...	...	...	...	...	...
(*xxvii*) Sixth U.K. India (Five Year Plan) Credit, 1964	4,30	...	5,97	21	...	...	...	...	...	...
(*xxviii*) First U.K. India (General) Credit, 1965	6,67	6,18	44	...	...	...	...	...	...	...
(*xxix*) U.K. India (Five Year Plan) Credit, 1965	67	19	65	...	...	...	...	...	...	...
(*xxx*) Second U.K. India (General) Credit, 1965	6,67	6,67	...	...	...	...	...	...	...	...
(*xxxi*) U K. India (General Purpose) Loan, 1965	13,33	13,33	...	...	...	...	...	...	...	...
(*xxxii*) U.K. India (Non-Project) Loan, 1965 (III Kipping Loan)	5,33	9	6,33	34	33	78	...	...	...	...
(*xxxiii*) U.K. India Food Emergency Loan, 1966	10,00	...	5,98	94	23	61	...	...	...	...
(*xxxiv*) First U.K. India (Bhopal) Loan, 1966	5,37	...	7,64	43	41	49	...	...	...	...
(*xxxv*) U.K. India (General Purpose) Loan, 1966	13,33	...	24,34	...	...	...	...	...	...	...
(*xxxvi*) First U.K. India (Non-Project) Loan, 1966 (IV Kipping Loan)	5,33	...	1,36	1,09	54	93	...	...	...	...
(*xxxvii*) Second U.K. India (Non-Project) Loan, 1966	28,35@	...	28,35	...	...	...	...	...		...
(*xxxviii*) Second U.K. India (Bhopal) Loan, 1966	4,00@	...	2,63	1,95	57	25	...	...	...	...
(*xxxix*) U.K. India Sindri Loan, 1966	36@	...	...	9	9	13	...	...	...	...
(*xl*) U.K. India Non-Project Loan, 1967 (V Kipping Loan)	12,60@	...	...	2,44	4,09	3,45	2,62	...	...	...
(*xli*) U.K. India Debt Refinancing and General Purpose Loan, 1967	25,20@	...	25,20	...	...	...	...	...	...	...
(*xlii*) U.K. India General Purpose Loan, 1967	21,60@	...	21,60	...	...	...	...	...	...	...
(*xliii*) U.K. India General Purpose Loan, 1968	15,30@	...	15,30	...	...	...	...	...	...	...
(*xliv*) U.K. India Debt Refinancing Loan, 1968	13,50@	...	13,50	...	...	...	...	...	...	...
(*xlv*) U.K. India—Capital Investment Loan, 1968	15,30@	...	...	11	4,39	7,96	2,84	...	...	...
(*xlvi*) U.K. India—Non-Project Loan, 1968 (VI Kipping Loan)	12,60@	...	...	4,40	4,24	2,66	1,33	4	15	...
(*xlvii*) U.K. India—Mixed Project Loan, 1968	3,60@	...	...	...	2,10	1,50	...	...	...	...

@ at post-devaluation rate of exchange.

India Foils at work



The Big Little Help In The Packaging Industry

The food and dairy, pharmaceutical, toiletry and cigarette industries rely on foil packaging— to protect products and please customers.

All those products up there have one thing in common : aluminium foil. Aluminium foil used either as a wrapper or pouch, bottle cap or tagger top, helps keep the products fresh, tasty and wholesome.

Aluminium foil comes from India Foils—the people who pioneered and developed the foil industry in this country by discovering new and improved uses of foil.

Right from the start, India Foils put their research, skill, knowledge of Indian conditions and know-how of the latest foil technology to work—developing new directions in packaging.

Aluminium foil today performs a variety of packaging functions in a wide range of industries.

India Foils Limited

(Incorporated in Great Britain,
Liability of Members Limited)
4, Mangoe Lane, Calcutta-1
Calcutta Bombay New Delhi
Bangalore Cochin

POC-J19R3

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Helping people to help themselves—profitably

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"Half-a-million job cell" has been set up at UCOBANK's headquarters to help you analyze feasibility and project studies, capital goods purchase etc.

United Commercial Bank Helping people to help themselves—profitably

UCOC.88

1	2	3	4	5	6	7	8	9	10	11	12
(*xlviii*) U.K. India—General Purpose Loan, 1968	2,70@	...	2,70	...	...	...	...	...	...	...	...
(*xlix*) U.K. India—Loan for I.C.I.C.I. 1968	1,80@	...	...	...	27	58	70	24	...	...	...
(*l*) U.K.—India Debt Refinancing Loan, 1969	13,50@	...	...	13,50	...	...	...	...	...	...	...
(*li*) U.K.—India Maintenance Loan, 1969	28,80@	...	...	18,38	10,42	...	...	...	...	...	...
(*lii*) U.K.—India Capital Investment Loan, 1969	13,50@	...	...	...	...	4,99	8,51	...	...	...	...
(*liii*) U.K. India—India Mixed Project Loan 1969	3,60@	...	...	...	...	2,97	63	...	...	...	...
(*liv*) U.K.—India Mixed Imports Loan, 1969 (VII Kipping Loan)	7,20@	...	...	...	1,17	1,53	2,29	1,27	22	72	72
(*lv*) I.C.I.C.I. Loan, 1969	1,80@	...	...	...	...	...	...	1,46	34	...	...
(*lvi*) First Maintenance Loan, 1970	16,20@	...	...	12,65	3,55	...	...	...	...	...	...
(*lvii*) Second Maintenance Loan, 1970	46,80@	...	...	...	38,64	8,15	...	...	...	...	...
(*lviii*) Durgapur, 1970	5,58@	...	...	...	42	1,58	31	26	11	2,91	1,94
(*lix*) Debt Relief Loan, 1970	13,50@	...	...	13,50	...	...	...	...	...	...	...
(*lx*) Mixed Project Loan, 1971	5,40@	...	...	...	...	...	5,40	...	...	...	...
(*lxi*) VIIIth Kipping Loan, 1971	3,60@	...	...	...	...	...	...	85	1,19	1,56	1,56
(*lxii*) Capital Investment Loan, 1971	21,60@	...	...	...	...	...	3,37	6,06	2,77	9,40	9,40
(*lxiii*) I.C.I.C.I. Loan, 1971	1,80@	...	...	...	...	...	...	...	1,30	49	49
(*lxiv*) Mixed Project Loan, 1971-72	14,40@	...	...	...	...	...	8,01	6,40	...	...	...
(*lxv*) Capital Investment Loan, 1971-72	21,60@	...	...	...	...	...	...	3,23	4,91	13,45	8,10
(*lxvi*) Debt Refinancing Loan, 1971	13,50@	...	...	...	...	13,50	...	...	...	...	...
(*lxvii*) Maintenance Loan, 1971-72	48,60@	...	...	...	...	39,60	9,00	...	...	...	...
(*lxviii*) Debt Relief, 1971-72	14,40@	...	...	...	...	...	14,40	...	...	...	...
(*lxix*) Mixed Project Loan, 1972	28,80@	...	...	...	...	...	...	26,93	1,87	...	...
(*lxx*) Maintenance Loan, 1972	60,30@	...	...	...	...	...	60,34	...	...	...	...
(*lxxi*) Capital Investment Loan, (£ 14 million)	25,20@	...	...	...	...	...	...	...	2,99	22,20	7,56
(*lxxii*) Mixed Project Loan (£ 18 million)	32,40@	...	...	...	...	...	...	...	31,36	1,04	1,04
(*lxxiii*) Maintenance Loan, 1973-74 (£ 35 million)	63,00@	...	...	...	...	...	...	63,00	...	...	...
(*lxxiv*) Debt Relief (£ 8 million)	14,40@	...	...	...	...	...	...	14,00	...	...	...
(*lxxv*) Capital Investment Loan 1974 (£ 2 million)	21,60	...	...	...	...	...	...	...	...	21,60	90
(*lxxvi*) Maintenance Loan II of 1974 (£ 30 million)	54,00	...	...	...	...	...	...	...	54,00	...	...
(*lxxvii*) Debt Relief for 1974-75 (£ 9·4 millions)	16,92	...	...	...	...	...	...	...	16,92	...	...
(*lxxviii*) Mixed Project Loan 1974 (£ 22 million)	39,60	...	...	...	...	...	...	...	...	39,60	39,60
										6,04(b)	3,64(b)
Lazard Brothers	15,33@	15,33	...	...	...	...	...	...	...	...	...
Barclays Bank	4,59@	...	1,33	1,07	...	...	36	...	...	...	...
Total	12,01,78	2,92,11	2,17,64	82,31	75,16	91,42	1,19,34	1,24,14	1,24,17	1,12,97	74,95
—Loans from Canada											
(*i*) Wheat Loan	15,71	15,71	...	...	...	...	...	...	...	...	...
(*ii*) Rana Pratap Sagar Hydro Electric Project	3,52	3,19	37	1	2	...	...	...	...	...	...
(*iii*) Diesel Locos for Indian Railways	3,39	3,39	...	...	...	...	...	...	...	...	...
(*iv*) Rajasthan Atomic Power Project (Candu Atomic Power Project)	31,58	1,71	20,06	3,67	2,87	55	1,03	9	1	17	...
(*v*) Wind Tunnel Project	1,85	1,18	80	18	1	1	...	...	...	...	...
(*vi*) Durgapur Alloys Steel Project (Amco Furnace)	87	42	53	...	...	...	...	...	...	...	...
(*vii*) Indalco Expansion	83	66	17	...	...	...	...	...	...	...	...
(*viii*) Kota Dam Hydro Electric Project	3,89	41	2,79	2	1	...	2	1	...	23	...
(*ix*) Development loans :											
(*a*) Diesel Locos for Calcutta Port, 1966	97	...	1,54	1	...	...	...	...	...	...	...
(*b*) Diesel Locos for Railways, 1966	4,86*	...	4,75	...	...	1,87	...	...	...	...	...
(*c*) Geological Survey of India, 1967	1,39*	...	...	...	21	21	11	32	4	52	42
(*d*) Iddiki Hydro Electric Power Project, 1967	7,63	...	...	...	2,86	2,12	39	83	46	1,15	55
(*e*) Purchase of Fertiliser and Fertiliser Material, 1967	6,94*	...	6,67	27	5	...	...	...	...	...	...
(*f*) Purchase of Industrial Commodity, 1967	6,94*	...	4,36	1,19	86	9	...	...	...	...	...
(*g*) Non Project Development Loan, 1967	8,22*	...	6,87	1,18	80	2	...	...	...	...	...
(*h*) Non Project Non-Commodities Loan, 1968	14,67*	...	4,60	2,45	2,45	1,20	2,52	...	...	...	...
(*i*) Industrial Commodities Credit, 1968	10,41*	...	...	8,95	75	1	...	...	...	...	...

@At post-devaluation rates of exchange.

b) Exchange variations.

1	2	3	4	5	6	7	8	9	10	11	
(*j*) Fertilizer Credit, 1968	10,41*	...	80	5,12	4,42	1	...	...	...	...	
(*k*) Fertilizer Credit, 1969	5,55*	...	...	45	2,93	2,62	...	...	...	...	
(*l*) Non-Project Non-Commodity Loan 1969	15,47*	...	...	6,25	9,34	32	...	...	...	...	
(*m*) Telecommunication Equipment for P&T, 1969	27,75	...	...	...	...	5,24	13,71	3,26	4,11	1,43	
(*n*) Non Project Commodities Loan, 1970	11,80	...	...	...	9,29	2,52	...	...	...	...	
(*o*) Non Project Commodities Loan, 1970	9,02	...	...	...	2,77	6,09	16	...	...	...	
(*p*) Purchase of Components for D.L.W., Varanasi	4,16	...	...	...	...	...	2,34	39	28	6	
(*x*) Rajasthan Atomic Power Project II	26,72*	...	4,14	5,23	4,60	4,84	3,36	1,28	19	4,55	
(*xi*) Oil & Natural Gas Commission, 1971 (in three tranches C $ 12 million)	8,33	...	...	...	...	...	1,19	1,44	1,34	3,36	
(*xii*) Purchase of Commodities, 1971	27,75*	...	...	...	...	19,54	7,81	...	...	...	
(*xiii*) Purchase of Equip./Machinery, 1971 and 1973	13,88*	...	...	...	...		23	1,71	1,43	9,97	
(*xiv*) Fertilizer Bulk/Handling facility at Kandla	2,50*	...	...	...	...	...	11	87	27	1,25	
(*xv*) Non-Project Loan, 1972	34,69*	...	...	...	...	...	17,74	13,30	3,65	...	
(*xvi*) Second Satellite Earth Station	1,21*	...	...	...	...	...	...	93	28	...	
(*xlvii*) Synthetic Rubber Project	5,20*	...	...	...	...	...	...	59	44	4,18	
(*xviii*) Fertilizer Loan, 1973	6,94*	...	...	...	...	...	...	3,05	3,89	...	
(*xix*) Tamil Nadu Electricity Board, 1973	275*	...	...	...	...	...	...	1,98	77	...	
(*xx*) Non-Project Loan,	34,69*	...	...	...	...	...	...	10,61	17,34	6,73	
(*xxi*) New Potash Agreement 1974	6,94*	...	...	...	...	...	...	...	5,55	1,39	
									7,41(b)		33
Total	3,79,43	26,67	58,45	34,98	44,24	47,26	50,72	40,66	47,46	35,99	
V.—Loans from Federal Republic of Germany :											
**(*i*) D.M. 660 million Rourkela Credit	75,50	74,57	...	...	...	...	...	...	...	...	
**(*ii*) D. M. 168 million credit	19,05	19,05	...	...	...	...	...	...	...	...	
(*iii*) First D. M. 125·1 million Credit	14,18	14,18	...	...	...	...	...	...	...	...	
(*iv*) Second D.M. 125·1 million Credit	14,18	14,18	...	...	...	...	...	...	...	...	
(*v*) D. M. 98·36 million Credit—Rourkela Prolongation Credit (First)	11,16	11,16	...	...	...	...	...	...	...	...	
(*vi*) D. M. 230 million Credit, 1961—Rourkela Prolongation Credit (Second)	27,38	27,38	...	...	...	...	...	...	...	...	
(*vii*) D. M. 70 million Credit, 1961	8,33	8,33	...	...	...	...	...	...	...	...	
(*viii*) D. M. 170 million Credit, 1961	20,24	20,24	...	...	...	...	...	...	...	...	
(*ix*) D. M. 85 million Credit, 1962—Rourkela Prolongation Credit (Third)	10,12	10,12	...	...	...	...	...	...	...	...	
(*x*) D. M. 100 million Credit, 1962	11,90	11,90	...	...	...	...	...	...	...	...	
(*xi*) D. M. 264 million Credit, 1964	31,43	31,43	...	...	...	...	...	...	...	...	
(*xii*) D. M. 400 million Credit for Rourkela Repayments	47,62	33,14	20,05	2,01	45	4	...	...	...	...	
(*xiii*) D. M. 61·4 million Credit for Rourkela Steel Plant	7,31	7,31	...	...	...	...	...	...	...	...	
(*xiv*) D. M. 40 million Credit, 1964	4,76	3,08	2,32	...	...	...	15	...	...	...	
(*xv*) D. M. 28·1 million Credit, 1964	3,35	3,35	...	...	...	...	...	...	...	...	
(*xvi*) D. M. 90 million Credit, 1965	10,71	10,71	...	...	...	...	...	...	...	...	
(*xvii*) D. M. 55 million Credit, 1965	6,55	1,34	8,95	...	...	...	...	...	...	...	
(*xviii*) D. M. 40 million Credit, 1965 (Selected Project I)	4,76	2,47	2,20	4	(—)12	13	...	17	31	77	
(*xix*) D. M. 93·6 million Credit, 1965 (Consolidation of Rourkela Liabilities)	11,14	11,14	...	...	...	...	3	...	...	...	
(*xx*) D. M. 10 million Credit, 1965 (Extension of Neyveli Mining Scheme)	1,99	77	46	3	8	8	...	1	5	4	
(*xxi*) D. M. 6·4 million Credit, 1965 (Coal Washery, Sawang)	76	10	69	...	9	20	1	...	...	...	
(*xxii*) D. M. 23·5 million Credit, 1966 (Commodities V.)	2,80	36	3,85	...	...	...	...	...	...	...	
(*xxiii*) D. M. 7·25 million Credit, 1966 (Telco Tool Factory)	86	...	1,03	7	12	14	...	...	3	...	
(*xxiv*) D. M. 18 million Credit, 1966 (Indian Railway I)	2,15	39	2,42	3	...	6	3	...	6	4	
(*xxv*) D. M. 60 million Credit, 1966 (Commodities V)	7,14	...	10,40	19	...	9	32	...	...	...	
(*xxvi*) D. M. 12 million Credit, 1966 (Fertilisers)	1,43	...	2,27	...	...	...	...	...	...	...	
(*xxvii*) D. M. 52·16 million Credit, 1967	10,69	...	5,25	...	21	7	80	1,13	1,62	1,10	
(*xxviii*) D. M. 180 million Credit, 1967	33,75	...	33,61	14	...	...	...	...	...	...	

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* At post-devaluation rates of exchange.

**Due to revaluation of DM from 6-3-1961, the actual amount repaid or to be repaid is more than the amount actually drawn.

(b) Exchange variations.

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1	2	3	4	5	6	7	8	9	10	12	12
(*xxix*) D. M. 28·25 million Credit, 1967 (Indian Railways II)	5,79*	...	2,11	94	1,74	20	41	1	...	14	14
(*xxx*) D. M. 30 million Credit, 1967 (*xxxi*) D. M. 40 million Credit, 1967 (*xxxii*) D. M. 70 million Credit, 1967	26,25	...	18,67	6,50	...	2,41	...	...	...	...	...
(*xxxiii*) D. M. 16 million Credit, 1968/ (Indian Railways III)	3,28*	...	14	57	1,18	56	78	13	8	16	16
(*xxxiv*) D. M. 17·4 million Credit, 1968 (Neyveli Lignite Project)	3,49*	...	75	35	78	45	39	3	31	37	37
(*xxxv*) D. M. 102 million Credit for Commodities	19,13*	...	6,08	12,71	1,22	...	1	...	...	...	...
(*xxxvi*) D. M. 58.94 million Credit for Debt Rescheduling	11,05*	...	10,83	...	...	...	...	...	...	...	...
(*xxxvii*) D. M. 62 million (Debt Reschedule)	12,70*	...	...	12,70	...	...	...	...	...	...	...
(*xxxviii*) D. M. 39 million Credit (Gujarat Aromatic)	7,99*	...	...	2,93	2,21	1,23	1,31	31	...	...	...
(*xxxix*) D. M. 35 million Credit (Capital Goods)	7,17*	...	...	...	...	2,29	3,43	71	20	53	53
(*xl*) D. M. 99 million Credit (Commodities)	20,28*	...	...	6,22	14,06	...	...	...	...	...	...
(*xli*) D. M. 28·97 million Credit (Interest Rescheduling)	5,43	...	...	5,43	...	...	...	...	...	...	...
(*xlii*) D. M. 101·5 million Credit, 1970	20,80*	...	...	...	3,89	17,70	...	...	...	...	...
(*xliii*) D. M. 76·3 million Credit	15,63*	...	...	...	15,63	...	...	...	...	...	...
(*xliv*) D. M. 25 million Credit, 1970	5,12*	...	...	...	...	1,04	2,90	49	20	49	49
(*xlv*) D. M. 30 million Credit, 1969 (Ships)	6,15*	...	...	...	3	...	33	...	...	...	...
(*xlvi*) D. M. 9 million Credit, (N.L.C.)	1,84*	...	...	...	...	87	55	9	10	22	22
(*xlvii*) D. M. 100 million Credit, 1971	20,49*	...	...	...	...	...	20,49	...	...	...	...
(*xlviii*) D. M. 71 million Credit, 1971	14,55*	...	...	...	...	14,55	...	...	...	...	...
(*xlix*) D. M. 4 million Credit, 1971	82*	...	...	...	...	54	9	5	7	2	2
(*l*) D. M. 30 million Credit, 1972 (Cap. Goods)	6,15*	...	...	...	...	...	...	3,80	73	82	82
(*li*) D. M. 21.36 mil. Credit, 1972 (MICO Expansion)	4,38*	...	...		...	...	...	1,44	1,37	1,57	74
(*lii*) D. M. 17·6 mil. Credit 1972 (Bihar Alloy Steel Pr.)	3,61*	...	...	...	...	...	5	2,01	72	83	82
(*liii*) D. M. 27.1 mil. Credit, 1972 (Tyre Plant)	5,55*	...	...	...	...	...	10	3,49	1,45	51	33
(*liv*) D. M. 4 mil. Credit, 1972 (Gujarat Acetate Pr.)	82*	...	...	...	...	...	...	31	20	30	30
(*lv*) D. M. 80 mil. Credit, 1972 (Commodities)	16,39*	...	...	...	...	...	6,98	9,42	...	...	...
(*lvi*) D. M. 30 mil. Credit, 1972 (Capital Goods)	6,15*	...	...	...	...	...	80	68	3,69	1,78	1,78
(*lvii*) D. M. 98 mil. Credit, Debt Relief	24,18*	...	...	...	...	...	24,18	...	...	...	...
(*lviii*) D. M. 12 million Credit, 1971 (Travancore Cochin)	2,46*	...	...	...	...	...	...	51	1,46	49	31
(*lix*) D. M. 10·9 million Ramon and Demm	2,23*	...	...	...	...	...	...	...	1,02	1,21	1,03
(*lx*) D. M. 14 million Gujarat Caustic Soda	2,87*	...	...	...	...	...	...	...	41	2,46	82
(*lxi*) D. M. 57·7 million Telco Expansion	11,82*	...	...	...	...	...	...	...	...	11,82	3,07
(*lxii*) D. M. 12 million MISL	2,46*	...	...	...	...	...	...	...	...	2,46	...
(*lxiii*) D. M. 100 million Commodity Loan	20,49*	...	...	...	...	...	...	6,21	14,28	...	...
(*lxiv*) D. M. 20 million Capital Loan	4,10*	...	...	...	...	...	...	...	82	3,28	1,64
(*lxv*) D. M. 98 million Debt Relief, 1973 and	24,18*	...	...	...	...	...	20,08	...	...	...	...
(*lxvi*) DM 100 Million Commodity credit 1974 including liquidity assistance DM 24 million	20,49*	...	...	...	...	...	...	...	8,20	12,30	12,30
(*lxvii*) DM 15 million credit of 1974	3,07	...	...	...	...	...	...	...	...	3,07	1,02
(*lxviii*) DM 130 million Debt Relief 1974	26,64	...	...	...	...	...	...	...	26,64	...	...
								19,90	33,68(b)		14,97(a)
Total	7,97,24	3,16,70	1,32,08	50,86	41,57	42,65	64,14	51,08	97,70	46,78	43,35
V.—Loans from Japan :											
(*i*) First Yen Credit	21,93	21,93	...	...	...	...	...	...	...	...	...
(*ii*) Second Yen Credit	45,24	45,12	...	...	...	...	...	...	...	...	...
(*iii*) Third Yen Credit	30,95	21,05	8,37	...	...	...	...	...	...	...	...
(*iv*) Fourth Yen Credit	28,57	6,24	26,84	...	...	...	...	...	...	...	...
(*v*) Fifth Yen Credit	28,57	2,04	26,47	12,71	1,48	...	...	...	...	...	...
(*vi*) Sixth Yen Credit	32,11*	...	31,41	...	...	...	...	...	...	...	...
(*vii*) Seventh Yen Credit	29,40*	...	23,90	5,05	...	...	...	...	...	...	...
(*viii*) Eighth Yen Credit	21,30*	...	...	13,20	7,60	24	...	...	...	...	...
(*ix*) Ninth Yen Credit	19,22*	...	...	...	8,30	8,59	1,48	37	...	...	...
(*x*) Food Aid	5,29*	...	5,29	...	...	...	...	...	...	...	...
(*xi*) Vizag Outer Harbour	5,25*	...	...	...	11	1,69	13	99	74	1,58	79
(*xii*) Tenth Yen Credit	19,04*	...	...	...	...	7,53	9,11	1,70	32	...	...

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*At post devaluation rates of exchange, (b) Exchange variations

1	2	3	4	5	6	7	8	9	10	11	12
(*xiii*) Deep Sea Oil Exploration	10,99*	...	...	...	...	8,24	...	2,53	35	21	2
(*xiv*) Eleventh Yen Credit	64,10*	...	...	...	...	...	19,40	27,98	9,69	7,50	5,8
(*xv*) Twelfth Yen Credit	27,56*	...	...	...	...	...	...	4,33	16,52	6,71	30.
(*xvi*) Thirteenth Yen Credit	37,55*	...	...	...	...	...	...	...	6,43	31,12	17,0
(*xvii*) Fourteenth Yen Credit	37,55	...	...	...	...	...	...	...	63	36,92	10,4
(*xviii*) Debt Relief (1974) Agreement	31,20*	...	...	...	...	...	...	31,20	...	...	
(*xix*) Debt Relief (1974-75)	25,00	...	...	...	...	...	...	...	25,00	...	
									(b)18,34		(b)11,0
Total	5,20,82	96,38	1,22,28	30,96	17,49	26,29	30,12	69,10	78,02	84,02	48,
VII.—Loans from Switzerland :											
(*i*) Credit for Third Plan	22,88	5,94	12,32	2,02	2,91	2,12	1,56	1,56	1,06	6	
(*ii*) Development Loan, 1973 for SF 35 million	6,43*	...	...	...	...	...	...	...	92	5,51	9
(*iii*) Third Swiss credit 1973 for SF 49·5 million	9,09	...	...	...	...	...	...	...	76	8,33	1,4
									1,44(b)		1,29(
Total	38,40	5,94	12,32	2,02	2,91	2,12	1,56	1,56	4,18	13,90	3,
VIII.—Loans from Czechoslovakia :											
(*i*) First Credit for Third Plan	23,10	12,60	11,05	2,24	12	...	...	...	...	...	
(*ii*) Second and Third Credit for Third Plan	1,43,00*	...	25,22	5,94	1,22	1,40	6,71	6,60	7,12	88,35	11,
Total	1,66,10	12,60	36,27	8,18	1,34	1,40	6,71	6,60	7,12	88,35	11,
IX.—Loans from Yugoslavia :											
(*i*) First Credit	19,05	9,21	6,62	27	30	...	...	...	...	...	
(*ii*) Second Credit	31,16*	...	8	10	...	...	...	...	...	...	
Total	50,21	9,21	6,70	37	30	...	...	...	...	...	
X.—Loans from Poland :											
(*i*) First Credit	23,15	10,96	2,97	12	26	25	7	84	40	90	
(*ii*) Second Credit	5,72	38	97	23	1	2	8	1,45	1,00	1,31	1,
(*iii*) Third Credit	9,29	...	6	3,82	2,52	2,15	40	6	6	22	
Total	38,16	11,34	4,00	4,17	2,79	2,42	55	2,35	1,46	2,43	2,
XI.—Loans from Austria :											
(*i*) First Credit	2,38	2,25	1	8	11	...	...	...	...	...	
(*ii*) Second Credit	1,83	1,40	60	1	3	...	...	...	...	...	
(*iii*) Third Credit	1,90	1,07	1,01	1	12	8	1	1	1	...	
(*iv*) Fourth Credit	1,90	...	2,89	...	...	2	...	...	...	...	
(*v*) Fifth Credit	3,52	...	2,69	64	12	1	4	...	...	...	
(*vi*) Sixth Credit	1,92	...	1,08	73	11	...	...	...	...	...	
(*vii*) Food Assistance Loan	75	...	73	...	...	...	...	...	...	...	
(*viii*) Capital Repayment, 1968-69	66	...	66	...	...	...	...	...	...	...	
(*ix*) Capital Repayment, 1969-70	81*	...	...	81	...	...	...	...	...	...	
(*x*) Capital Repayment, 1970-71	1,11*	...	...	...	1,11	...	...	...	...	...	
(*xi*) Capital Repayment, 1971-72	66*	...	...	...	...	66	...	...	...	...	
(*xii*) Debt Relief	1,70*	...	...	...	...	...	1,70	...	...	...	
(*xiii*) Financial Aids, 1972	37*	...	...	...	...	...	...	5	13	19	1
(*xiv*) Debt Relief (1973-74)	1,70*	...	...	...	...	...	...	1,69	...	...	
(*xv*) Debt Relief (1974-75)	1,54	...	...	...	...	...	...	...	1,54	...	
(*xvi*) Commodity aid 1974-75	59	...	...		...	...	...	...	...	59	1
									75 (b)		14(b
Total	23,34	4,72	9,67	2,28	1,60	77	1,75	1,75	2,42	78	4
XII.—Loan from Kuwait Government ;	34,19	34,19	...	...	...	...	...	...	...	...	
XIII.—Loans from Netherlands ;											
(*i*) General Purpose Loan	67,44	9,53	16,39	6,86	12,28	6,24	7,49	...	...	...	
(*ii*) Agreement, 1972 for DG 68 million	14,09	...	...	...	...	...	2,68	11,41	11,27	...	
(*iii*) Agreement, 1973 for DG 68 million	14,09	...	...	...	...	...	...	2,82	10,06	...	
(*iv*) XIX Credit	17,40	...	...	...	...	...	...	...	...	7,34	7,3
									(b)9,97		(b)3,4
Total	1,13,02	9,53	16,39	6,86	12,28	6 ,24	10,17	14,23	31,30	7,34	10,8
XIV.—Loans from Denmark ;											
(*i*) First Credit	1,03	73	43	...	...	...	...	...	...	...	
(*ii*) Second Credit	1,38	9	1,60	9	12	...	...	...	...	...	
(*iii*) Third Credit	4,00*	...	4	27	1,12	1,34	78	2	1	42	

(b) Exchange variations.

* At post-devaluation rates of exchange

1	2	3	4	5	6	7	8	9	10	11	12
(*iv*) First Food Loan	2,07	...	1,36	...	...	...	...	...	...	...	...
(*v*) Second Food Loan	3,00*	...	1,34	89	19	7	...	...	...	...	...
(*vi*) Fourth Credit	4,00*	...	...	...	...	...	9	1,54	1,12	1,25	1,25
(*vii*) Fifth Credit	5,00	...	...	...	...	...	...	5,00	...	1,00	1,00
								38(b)		81(b)	81(b)
Total	20,48	82	4,77	1,25	1,43	1,41	87	1,56	1,51	6,67	3,11
V.—Loan from New Zealand :											
Credit for purchase of wool	33	33	...	...	...	...	...	...	...	...	...
VI.—Loans from Sweden :											
(*i*) First Credit, 1964-65	3,48	...	3,43	6	...	...	...	...	...	...	...
(*ii*) Second Credit, 1965-66	3,48	...	1,46	48	62	39	42	2	9	...	...
(*iii*) Third Credit	5,07*	...	...	19	67	3,61	41	2	20	...	...
(*iv*) Fourth Credit	5,80*	...	...	19	2 59	2,44	29	...	27	...	...
(*v*) Fifth Credit	18,13*	...	...	...	...	2,00	2,34	1,98	1,45	10,33	5,80
(*vi*) Sixth Credit	25,37*	...	...	...	...	...	...	4,35	8,70	...	...
(*vii*) New Project Loan, 1973 for SK 70 million	10,15*	...	...	...	...	...	...	...	...	10,15	8,70
(*viii*) Credit 1974	18,13*	...	...	...	...	...	...	...	15,22	2,90	2,90
(*ix*) Wheat Storage	377*	...	...	...	...	...	...	...	36	341	102
									707(b)		508(b)
Total	93,38	...	4,89	92	3,88	8,44	3,46	6,37	33,36	26,79	23,50
XVII.—Loan from Bahrain :	7,86	7,86	...	...	...	...	...	...	...	...	...
VIII.—Loans from Italy :											
(*i*) Italian Fertilizer Credit	1,50	...	1,46	...	...	...	...	...	...	...	...
(*ii*) First Italian Debt Relief, 1969	4,13*	...	...	...	4,13	...	...	...	...	...	...
(*iii*) Second Italian Debt Relief, 1969	5,51*	...	...	...	...	...	5,51	...	...	...	...
(*iv*) Third Italian Debt Relief	5,51*	...	...	...	...	...	5,51	...	...	...	...
(*v*) Debt Relief, 1973	4,20	...	...	...	...	...	...	...	...	4,38	...
Total	20,85	...	1,46	...	4,13	...	11,02	...	...	4,38	...
XIX.—Loans from Belgium :											
(*i*) First Belgian Credit	90	...	90	...	...	...	...	...	...	...	...
(*ii*) Second Belgian Credit	1,88*	...	1,79	9	...	61	...	...	...	...	...
(*iii*) Third Belgian Credit	1,88*	...	83	1,03	1	81	...	...	...	...	...
(*iv*) Fourth Belgian Credit	2,25*	...	...	1,12	79	34	...	1	...	...	...
(*v*) Fifth Belgian Credit	2,63*	...	...	...	1,77	1,12	4	...	...	...	...
(*vi*) Sixth Belgian Credit	3,00*	...	...	...	...	...	1,11	39	...	...	...
(*vii*) Debt Relief	1,13*	...	...	...	...	...	1,13	...	...	...	...
(*viii*) Seventh Belgian Credit	2,25*	...	...	...	...	...	10	51	1,57	1,64	...
(*ix*) Eight Credit (including Debt Relief)	3,75*	...	...	...	...	...	...	1,12	12	2,51	2,13
(*x*) Ninth Credit (including Debt Relief)	4,13*	...	...	...	...	...	...	...	1,50	2,63	...
									135(a)		85(b)
Total	23,80	...	3,52	2,24	2,57	2,88	2,38	2,03	4,61	5,14	2,98
XX.—Loans from France:											
(*i*) $ 17 million Credit, 1966'	12,75*	...	9,94	1,16	50	56	2	3	...	...	...
(*ii*) F.F. 150 million Credit, 1968	20,25*	...	4	4,95	6,86	5,55	1,87	55	68	104	69
(*iii*) F.F. 25 million Credit, 1968 (Debt Relief)	13,75*	...	2,84	94	...	...	...	...	...	...	...
(*iv*) F.F. 125 million Credit, 1969	6,88*	...	...	1,09	1,09	6,41	1,88	2,04	81	27	27
(*v*) F.F. 27·7 million Credit, 1970 (Debt Relief)	3,74*	...	...	...	3,74	...	...	...	...	...	...
(*vi*) F.F. 27·7 million Credit, 1970 (Debt Relief)	3,74*	...	...	...	3,74	...	...	...	...	...	...
(*vii*) F.F. 125 million Credit, 1970	16,88*	...	...		...	6,76	1,86	4,49	74	20	8
(*viii*) F.F. 130 million Credit, 1971	17,55*	...	...	...	...	8,11	4,83	1,45	2,97	2,25	1,59
(*ix*) F.F. 150 million Credit, 1971	20,25*	...	...	...	...	93	9,87	6,10	1,08	2,28	1,38
(*x*) F.F. 27·7 million Credit, 1971 (Debt Relief)	3,74*	...	...	...	...	3,75	...	...	...	...	...
(*xi*) F.F. 150 million Credit 1972	20,25*	...	...	...	...	...	4,40	12,84	2,24	77	40
(*xii*) F.F. 35 million Credit, 1972	4,73*	...	...	...	...	...	20	28	67	2,31	1,35
(*xiii*) Debt Relief, 1972-73	4,49*	...	...	...	...	...	4,49	...	...	...	...
(*xiv*) Debt Relief, 1973-74 (F.F. 147·29 million)	6,36*	...	...	...	...	...	...	6,36	...	...	...
(*xv*) Atomic Energy Credit, 1973 (FF 56 million)	7,56*	...	...	...	...	...	...	1,27	2,43	3,86	1,76
(*xvi*) FF 180 million Credit, 1973	24,30*	...	...	...	...	...	...	4,86	9,32	10,13	3,56
(*xvii*) FF 214 million Credit 1974	28,89*	...	...	...	...	...	...	...	41	28,48	5,40
(*xviii*) FF 60 million credit 1974	8,10*	...	...	...	...	...	...	...	...	8,10	1,08

---

*At post-devaluation rates of exchange

(b) Exchange variation

1	2	3	4	5	6	7	8	9	10	11	1
(*xix*) Debt Relief 1974-75 (FF 692.80 million)	9,35*	...	...	...	...	...	...	...	9,35 7,65(b)	...	4,68(
Total	2,33,56	...	12,82	8,14	15,93	32,07	29,42	40,27	38,35	59,69	22
XXI.—Loan from Hungary:	12,50	...	...	...	...	...	...	...	2,14	10,36	3,(
XXII.—Loan from Bulgaria:	11,25	...	...	...	...	...	...	...	...	...	
XXIII.—Loan from the Government of Qatar:	12,88	...	12,88	...	...	...	...	...	...	...	
XXIV.—Loan from Romania:	...	...	...	...	...	...	...	...	...	...	
XXV.—Loan from Norway:	1,58*	...	...	...	...	10	7	...	...	...	
INTERNATIONAL AGENCIES											
XXVI.—I.B.R.D. Loans:											
(*i*) Agricultural Machinery Project Loan	3,43	3,43	...	...	...	...	...	...	...	...	
(*ii*) Railway Project Loan I	15,62	15,62	...	...	...	...	...	...	...	...	
(*iii*) Railway Project Loan II	42,86	42,86	...	...	...	...	...	...	...	...	
(*iv*) Railway Project Loan III	40,48	40,48	...	...	...	...	...	...	...	...	
(*v*) Railway Project Loan IV	23,81	23,81	...	...	...	...	...	...	...	...	
(*vi*) Railway Project Loan V	33,33	33,33	...	...	...	...	...	...	...	...	
(*vii*) Railway Project Loan VI	23,81	23,81	...	...	...	...	...	...	...	...	
(*viii*) D.V.C. I	7,96	7,96	...	...	...	...	...	...	...	...	
(*ix*) D.V.C. II	5,00	5,00	...	...	...	...	...	...	...	...	
(*x*) D.V.C. III	10,48	10,48	...	...	...	...	...	...	...	...	
(*xi*) Koyna Project Loan (First Stage)	8,90	8,90	...	...	...	...	...	...	...	...	
(*xii*) Coal Industry	13,71	13,46	39	...	...	...	...	...	...	...	
(*xiii*) Power Transmission	43,50*	...	21,09	7,80	8,44	...	...	...	...	...	
(*xiv*) Kothagudem Power Project II	6,67	2,79	4,83	1,04	64	2	...	...	...	...	
(*xv*) Third Telecommunication	20,63*	...	...	...	...	9,81	9,32	1,51	...	...	
(*xvi*) Tarai Seed	9,75*	...	...	...	1,55	35	39	7	2,25	5,14	2,
(*xvii*) Chambal Valley Development Project	39,00	...	...	...	...	...	...	...	4,50 49(b)	34,50	4, 55(
Total	3,48,94	2,31,93	26,31	8,84	10,63	10,18	9,71	1,58	7,24	39,64	7,
XXVII.—I.D.A. Credits:											
(*i*) Roads Project	28,32	24,61	4,98	...	...	...	...	...	...	...	
(*ii*) U.P. Tubewell Project	2,86	2,86	...	...	...	...	...	...	...	...	
(*iii*) Shetrunji Irrigation Project	1,61	1,61	...	...	...	...	...	...	...	...	
(*iv*) Salandi Irrigation Project	3,57	75	4,28	16	...	...	...	...	...	...	
(*v*) Punjab Drainage Project	4,76	4,48	43	...	...	...	...	...	...	...	
(*vi*) D.V.C. IV	7.98	5,70	2,81	36	...	3	...	...	...	...	
(*vii*) Sone Irrigation Project	7,14	5,54	2,53	...	...	...	...	...	...	...	
(*viii*) Purna Irrigation Project	6,19	4,48	2,68	...	86	...	...	...	...	...	
(*ix*) Koyna Project (Second Stage)	8,33	4,31	3,16	2,31	1,10	...	...	...	...	...	
(*x*) Bombay Port Project	7,76	1,63	8,54	35	...	...	...	...	...	...	
(*xi*) Telecommunications Project I	19,90	16,91	2,79	...	...	...	...	...	...	...	
(*xii*) Railway Project Loan VII	32,14	32,14	...	...	...	...	...	...	...	...	
(*xiii*) Kothagudem Power Project	9,52	6,41	4,90	...	...	...	...	...	...	...	
(*xiv*) Industrial Imports I	42,86	42,60	26	...	...	...	...	...	...	...	
(*xv*) Telecommunications Project II	15,71	9,66	8,84	...	...	...	...	...	...	...	
(*xvi*) Railway Project Loan VIII	29,52	29,52	...	...	...	...	...	...	...	...	
(*xvii*) Industrial Imports II	47,62*	7,41	59,96	...	...	...	...	...	...	...	
(*xviii*) Beas Project	17,25	...	7,29	1,53	1,43	90	3,65	1,65	61	20	
(*xix*) Railway Project Loan IX	51,00*	...	51,00	...	...	...	...	...	...	...	
(*xx*) Industrial Imports III	1,12,50*	...	1,12,50		...	...	...	...	...	...	
(*xxi*) Industrial Imports IV	48,75*	...	48,75	...	...	...	...	...	...	...	
(*xxii*) Industrial Imports V	93,75*	...	21,60	72,15	...	...	...	...	...	...	
(*xxiii*) Third Telecommunications	20,62*	...	...	4,53	7,52	7,32	1,26	...	...	...	
(*xxiv*) Railway X	41,25*	...	...	3,53	17,71	20,23	...	...	...	...	
(*xxv*) Kadana	26,25*	...	...	...	83	2,84	51,0	8,53	6,00	2,95	3
(*xxvi*) Industrial Imports VI	56,25*	...	...	...	15,29	41,04	...	...	...	...	
(*xxvii*) Gujarat Agricultural Project	26,25*	...	...	...	...	1,50	18,58	4,04	2,42	...	
(*xxviii*) Punjab Agricultural Project	20,62*	...	...	...	...	...	...	12	2,62	17,88	3
(*xxix*) Andhra Pradesh Agricultural Project	18,38*	...	...	...	...	83	7,24	2,84	4,50	3,21	3
(*xxx*) Agricultural Aviation	4,50*	...	...	...	...	...	...	...	...	4,50	
(*xxxi*) Telecommunications Project IV	58,50*	...	...	...	...	...	5,33	22,73	26,25	4.18	4
(*xxxii*) Power Transmission II	56,25*	...	...	...	...	...	2	84	18,75	36,64	30
(*xxxiii*) Haryana Agricultural Project	18,75*	...	...	...	...	...	3,38	2,72	3,75	8,90	7
(*xxxiv*) Tamil Nadu Agricultural Project	26,25*	...	...	...	...	...	3,51	13,07	1,87	7,80	4
(*xxxv*) Cochin II Fertiliser Project	15,00*	...	...	...	...	25	47	5,04	5,25	4,00	
(*xxxvi*) Wheat Storage	3,75*	...	...	...	...	...	...	10	75	2,90	2
(*xxxvii*) Pochampad Irrigation	29,25*	...	...	...	...	...	10,66	5,60	6,00	6,99	6
(*xxxviii*) Railways XI	56,25*	...	...	...	...	4,58	24,60	26,51	38	22	
(*xxxix*) Mysore Agricultural Project	30,00*	...	...	...	...	...	2,54	5,96	4,50	17,00	9
(*xl*) Gorakhpur Fertilizer Expansion	7,50*	...	...	...	...	...	47	2,11	3,75	1,16	1
(*xli*) Maharashtra Agricultural Credit Project	22,50*	...	...	...	...	...	3,46	5,00	6,00	8,04	6

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*At post devaluation rate of exchange.

Balance of 8 M cancelled.

(b) Exchange variations.

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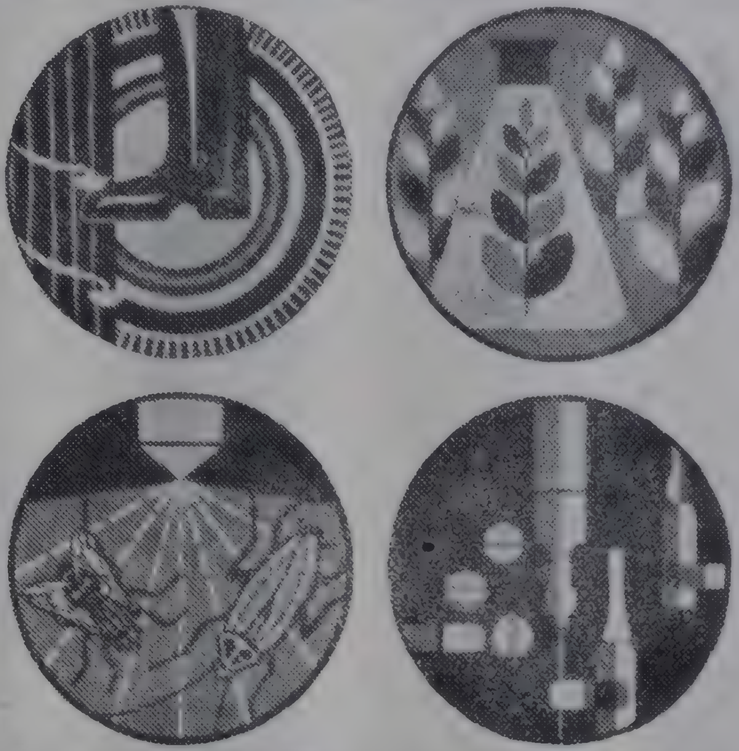

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1	2	3	4	5	6	7	8	9	10	11	12
(*xlii*) Bihar Agricultural Project	10,50*	...	...	...	...	...	...	...	37	10,13	2,63
(*xliii*) Population Project	15,90*	...	...	...	...	...	...	19	2,25	13,46	4,13
(*xliv*) Shipping Project	62,25*	...	...	...	...	...	11,42	42.63	8,19	...	...
(*xlv*) Industrial Imports VII	56,25*	...	...	...	...	...	34,60	21,65	...	...	...
(*xlvi*) Education Project	9,00*	...	...	...	...	...	...	...	38	8,62	1,50
(*xlvii*) I.D.B.I.	18,75*	...	...	...	...	...	...	...	...	18,75	3,75
(*xlviii*) Nangal Fertilizer	43,50*	...	...	...	...	...	...	3,05	11,25	29,20	15,00
(*xlix*) Third Power Transmission Project	63,75*	...	...	...	...	...	...	...	...	63,75	...
(*xlv*) Mysore Agr. Wholesale Market	6,00*	...	...	...	...	...	...	...	...	6,00	75
(*xlxi*) Bombay Water Supply and Sewage	41,25*	...	...	...	...	...	...	48	1,50	24,27	7,50
(*xlxii*) Madhya Pradesh Agricultural Project	24,75*	...	...	...	...	...	...	9	6,00	18,66	7,88
(*xlxiii*) U.P. Agricultural Project	28,50*	...	...	...	...	...	...	1,23	5,25	22,02	7,87
(*xlxiv*) Fifth Telecommunication Project	60,00*	...	...	...	...	...	...	...	...	60,00	22,50
(*xlxv*) Eight Industrial Credit	75,00*	...	...	...	...	...	...	63,47	11,53	...	...
(*xlxvi*) Calcutta Urban Development Pro-ject	26,25*	...	...	...	...	...	...	...	2,25	39,00	7,50
(*xlxvii*) Railway Project	60,00*	...	...	...	...	...	...	2,94	30,00	27,06	27,75
xlxviii) H.P. Apple Project (US $ 13 million)	9,75	...	...	...	...	...	...	...	...	9,75	1,50
(*xlxix*) Bihar Agricultural Project (US $ 32 million)	24,00	...	...	...	...	...	...	...	3.75	20.25	6.00
(*xlxx*) Sindri Fertilizer Project	NA	...	...	...	...	...	...	...	3,00	NA	6,00
(*xlxxi*) Trombay IV Fertiliser Project for U.S. 50 million (481 in)	37,50	...	...	...	...	...	...	...	75	36,75	3,75
(*xlxxii*) Karnataka Dairy for U.S. $ 30 million 482 IN	22,50	...	...	...	...	...	...	...	...	22,50	1,50
(*xlxxiii*) Rajasthan Canal (CAD) Project US $ 83 million (502 in)	62,25	...	...	...	...	...	...	...	7,50	54,75	7,50
(*xlxxiv*) IX Industrial credit for US $ 150 million (477-IN)	1,12,50*	...	...	...	...	...	...	...	1,12,50	...	...
(*xlxxv*) Rajasthan Dairy	NA	...	...	...	...	...	...	...	...	NA	1,50
(*xlxxvi*) Madhya Pradesh Dairy	NA	...	...	...	...	...	...		...	NA	1,50
xlxxvii) DPAA	NA	...	...	...	...	...	...	...	...	NA	1,12,50
xlxxviii) X Industrial Imports	NA	...	...	...	...	...	...	...		NA	6,00
(*xlxxix*) Godawari Barrage	NA	...	...	...	...	...	...	...	2258(b)		27,94(b)
Total	20,07,23	2,00,62	3,47,30	84,92	44,74	79,52	1,36,29	2,42,59	2,80,52	6,11,49	3,71,50
II.—New Credits	...	...	...	...	...	...	...	2,20,00	...	...	1,93,84 54,22(b)
Grand Total	110,64,80	30,31,14	26,91,39	6,16,83	6,10,90	6,34,50	5,41,31	6,82,66	8,49,79	14,93,73	9,28,47*

At post devaluation rates of exchange. (b) Exchange variations.

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TI/6529

Annexure

External Loans

(Statement of Repayments)

(In lakhs of Rup

Details of Loans	Actuals, from 1956-57 to 1960-61	Actuals, from 1961-62 to 1965-66	Actuals, 1966-67 to 1968-69	Actuals, 1969-70	Actuals, 1970-71	Actuals, 1971-72	Actuals 1972-73	Actuals 1973-74	Budget 1974-75	Revised, 1974-75
1	2	3	4	5	6	7	8	9	10	11
COUNTRIES										
I.—Loans from U.S.A.:										
(*i*) American Wheat Loan	1,63	...	2,22	...	...	...	5,00	5,12	5,25	5,25
(*ii*) Development Assistance Loans	7	90	2,20	98	1,10	1,23	1,36	88,79	...	—
(*iii*) D.L.F./A.I.D. Loans	5,14	42,15	56,17	19,30	19,19	18,39	24,79	1,38,47	22,95	22,94
(*iv*) Asian Economic Development Fund Loan	...	48	2,06	90	90	1,20	1,20	6,53	...	...
(*v*) P.L. 480 Rupee Loans	...	48	4,13	3,11	4,22	5,33	6,76	14,98,890	...	...
(*vi*) Commodity Credit Corporation	...	...	...	...	...	...	...	3,91	...	...
(*vii*) **U.S. Export-Import Bank Loans** :										
(*a*) First Loan	...	17,85	33,75	11,25	11,25	11,25	11,25	5,63	...	...
(*b*) Second Loan	...	...	11,25	3,75	3,75	3,75	3,75	3,75	3,75	3,75
(*c*) Third Loan	...	99	4,40	1,56	1,56	1,57	1,56	1,56	1,56	1,56
(*d*) Fourth Loan	...	...	3,12	1,56	1,56	1,57	1,56	1,56	1,56	1,56
(*e*) Fifth Loan	...	...	...	...	...	1,25	1,25	1,25	1,25	1,25
(*f*) Sixth Loan	...	...	...	...	...	56	1,01	1,01	1,01	1,02
(*g*) Credit for Diesel Loco Works, Varanasi (I Tranche)	...	...	3,35	1,19	1,19	1,19	1,19	1,19	1,19	1,19
(*h*) Credit for Diesel Loco Works, Varanasi (II Tranche)	...	...	1,59	1,06	1 06	1,06	1,06	1,06	1,06	1,06
(*i*) Credit for Diesel Loco Works, Varanasi (III Tranche)	...	...	96	96	96	96	96	96	96	96
(*j*) Loans to Air India :										
First Loan	...	1,48	82	...	...	...	...	...	...	...
Second Loan	...	2,27	2,87	51	...	...	...	...	...	...
									(b)3,51	(b)2,87
Total	6,84	6,660	1,28,89	46,13	46,74	49,31	62,69	17,59,69	44,05	43,41
II.—Loans from U.S.S.R. :										
(*i*) Bhilai Loan	16,73	26,98	27,05	4,70	1,32	0,05	...	...	...	...
(*ii*) Industrial Enterprises	...	3,44	22,52	5,82	7,15	5,40	6,08	6,08	6,08	6,08
(*iii*) Drugs Credit	...	5	5,64	4,10	2,26	...	2,12	@	@	@
(*iv*) Barauni Credit	...	90	4,60	1,56	1,54	1,55	1,55	1,55	1,56	1,55
(*v*) 337·5 million Roubles Credit	...	5,36	39,13	18,02	21,88	16,78	20,01	20,08	19,72	19,68
(*vi*) 112·5 million Roubles Credit	...	1	6,82	4,45	5,85	3,92	5,07	5,28	5,17	5,88
(*vii*) Bokaro Credit	...	...	1,56	4,98	18,02	2,85	1279	13,24	13,54	13.34
(*viii*) 300 million Roubles Credit	...	...	...	1,12	2,26	8	1,24	1,27	1,27	1,32
Total	16,73	36,74	1,07,32	44,75	60,28	30,63	48,86	47,47	47,34	47,85
III.—U.K. Credits :										
(*a*) U.K. Government Loans :										
(*i*) Durgapur Credit	...	...	22,49	6,75	...	...	...	...	...	...
(*ii*) Second E.C.G.D. Credit	...	8,45	18,53	2,28	2,28	2,28	2,27	2.28	2,28	2.28
(*iii*) U.K. India (Oil Pipe Line) Credit	...	2,66	2,10	...	...	...	...	...	...	...
(*iv*) U.K. India (General) Credit, 1959	...	2,81	11,52	3,79	1,52	1.52	1,53	1,52	1.52	1,52
(*v*) First U.K. India (General) Credit, 1960	...	...	6,04	1,99	1.99	80	79	80	80	80
(*vi*) Second U.K. India (General) Credit, 1960	...	...	1,60	60	60	60	61	60	60	60
(*vii*) First U.K. India (General) Credit, 1961	...	...	2,74	90	90	90	90	90	90	90
(*viii*) First U.K. India (Five Year Plan) Credit, 1961	...	...	2,92	2,92	2,92	2,92	2,92	2,92	2,92	2,92
(*ix*) Second U.K. India (General) Credit, 1961	...	...	49	49	49	49	49	49	49	49
(*x*) First U.K. India (General) Credit, 1962	...	...	...	97	97	97	97	97	97	97
(*xi*) U.K. India (Durgapur Extension) Credit, 1962	...	...	...	2,14	2,14	2,14	2,14	2,14	2,14	2,14
(*xii*) Second U.K. India (General) Credit, 1962	...	...	...	24	49	49	49	49	49	49
(*xiii*) U.K. India (Five Year Plan) Credit, 1962	...	...	...	63	1,27	1,27	1,26	1,27	1,27	1,27
(*xiv*) U.K. India (Steel) Credit, 1963	...	...	...	...	...	34	34	34	34	34
(*xv*) First U.K. India (General) Credit, 1963	...	...	...	...	49	97	97	97	97	97
(*xvi*) Second U.K. India (General) Credit, 1963 (Kipping Loan I)	...	...	...	...	19	39	39	39	39	39
(*xvii*) U.K. General Credit, 1964	...	...	...	...	...	49	49	49	49	49

(b)Exchange variations. @ In thousands only

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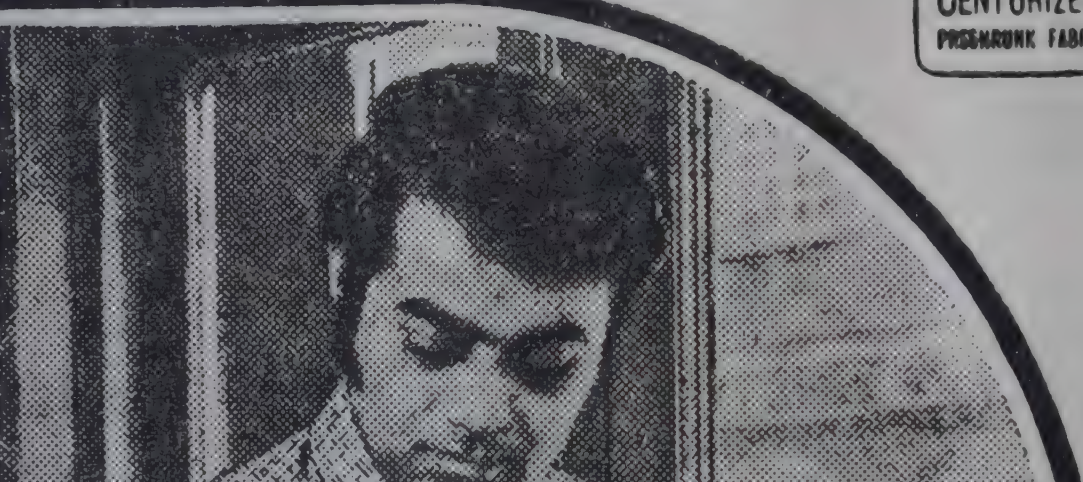

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1	2	3	4	5	6	7	8	9	10	11	12
(*xviii*) U.K. India (Bhopal) Credit, 1964	...	...	...	...	...	25	25	25	25	25	25
(*xix*) First Five Year Plan Credit, 1964	...	...	...	...	...	49	49	49	49	49	49
(*xx*) 2nd General Credit, 1964	...	...	...	...	...	97	97	97	97	97	97
(*xxi*) 2nd Bhopal Credit, 1964	...	...	...	...	...	10	20	19	19	19	19
(*xxii*) 2nd Five Year Plan Credit, 1964	...	...	...	...	...	7	14	14	14	14	14
(*xxiii*) 3rd Five Year Plan Credit, 1964	...	...	...	...	...	8	14	15	15	15	15
(*xxiv*) 4th Five Year Plan Credit, 1964	...	...	...	...	...	5	11	10	10	10	10
(*xxv*) 5th Five Year Plan Credit, 1964	...	...	...	...	...	6	11	12	12	12	12
(*xxvi*) 6th Five Year Plan Credit, 1964	...	...	...	...	...	16	32	32	32	32	32
(*xxvii*) Third U.K. General Credit, 1964 (Kipping II)	...	...	...	...	...	19	39	39	39	39	39
(*xxviii*) U.K. General Credit, 1965	...	...	...	...	...	24	49	49	48	48	49
(*xxix*) U.K. Five Year Plan Credit, 1965	...	...	...	...	...	2	4	5	5	5	5
(*xxx*) 2nd U.K. General Credit, 1965	...	...	...	...	...	...	49	48	49	49	50
(*xxxi*) UK General Purpose Credit, 1965	...	...	...	...	...	...	50	1,00	1,00	1,00	1,00
(*xxxii*) Non-Project Loan (IIIrd Kipping) 1965	...	...	...	...	...		...	40	40	40	40
(*xxiii*) First Bhopal Credit, 1966	...	...	...	...	...		...	24	48	48	48
(*xxxiv*) Sindri Loan, 1966	...	...	...	...	...	...	...	1	2	2	2
(*xxxv*) Non-Project Loan, 1966 (IVth Kipping)	...	...	...	...	...	...	...	20	40	40	40
(*xxxvi*) Second Bhopal Credit, 1966	...	...	...	...	...	...	...	15	30	30	30
(*xxxvii*) General Purpose Loan, 1966	...	...	...	...	...	...	...	50	100	1,00	1,00
(*xxxviii*) Food Emergency Loan, 1966	...	...	..	..	...	...	...	37	75	75	75
(*xxxix*) 2nd Non-Project-Credit, 1966	...	...	...	...	...	...	...	...	1,35	1,35	1,35
(*xl*) Non-Project-Credit, 1967	...	..	..	...	...	...	...	...	35	35	70
(*xli*) Debt Refinancing Credit, General Purpose, 1967	...	...	...	...	...	...	...	...	60	60	1,20
(*xlii*) General Purposes (1967)	...	...	...	...	...	...	...	...	...	...	1,20
(*xliii*) General Purposes (1968)	...	...	...	...	...	...	...	...	...	...	42
(*xliv*) Debt Refinancing	...	...	...	...	...	...	...	...	...	...	37
(*b*) Lazard Brothers	...	15,33	...	...	...	...	...	...	...	...	...
(*c*) Barclays Bank	...	...	...	57	57	57	58	57	57	57	57
									1,24(b)	1,43(b)	1,58(b)
Total	...	29,25	68,43	24,27	16,82	19,82	21,80	24,15	29,16	29,35	32,45
–Loans from Canada :											
(*i*) Wheat Loan I	1,64	6,58	...	...	...	...	...	...	...	...	...
(*ii*) Wheat Loan II	...	2,95	...	...	...	...	...	...	...	...	...
(*iii*) Diesel Locos for Indian Railways	...	...	86	...	...	...	21	21	43	43	43
(*iv*) Indalco Expansion	...	...	29	11	11	11	11	11	11	11	11
(*v*) Rana Pratap Sagar Hydro Electric Project	...	...	36	36	36	36	36	36	36	36	36
(*vi*) Rajasthan Atomic Power Project (Candu Atomic Power Project)	...	...	...	1,04	...	1,07	1,28	1,28	2,44	2,44	2,44
(*vii*) Wind Tunnel Project	...	...	...	...	12	25	25	25	25	25	25
(*viii*) Durgapur Alloy Steel Project (Amco Furnace)	...	...	4	8	8	8	8	8	8	8	8
(*ix*) Kota Dam Hydro Electric Project	...	...	...	12	25	25	25	25	25	25	25
(*x*) Rajasthan Atomic Power Station (Phase II)	...	...	...	...	...	...	...	...	1,11	1,11	2,22
(*xi*) Diesel Locos for Calcutta Port 1966	...	...	...	...	...	...	...	...	1	...	2
									(b)88	(b)92	1,116(b)
Total	1,64	9,53	1,55	1,71	92	2,12	2,54	2,54	5,91	5,95	7,32
–Loans from Federal Republic of Germany :											
(*i*) D.M. 660 million Rourkela Credit	5,58	72,06	...	...	...	...	1,64	...	...	...	...
(*ii*) D.M. 168 million Credit	...	2,86	13,64	1,50	1,64	1,64	1,64	1,64	1,64	1,64	1,64
(*iii*) First D.M. 125 million Credit	...	1,14	5,00	1,65	1,72	1,72	1,72	1,72	1,72	1,72	1,72
(*iv*) Second D.M. 125 million Credit	...	...	7,05	2,35	2,56	2,56	2,56	2,56	2,56	2,56	2,56
(*v*) D.M. 98·36 million Credit, 1961—Rourkela Prolongation Credit (First)	...	11,71	...	...	...	...	...	...	...	...	...
(*vi*) D.M. 230 million Credit, 1961—Rourkela Prolongation Credit (Second)	...	13,69	13,21	1,86	3,48	4,10	4,10	4,10	...	...	...
(*vii*) D.M. 100 million Credit, 1961	...	90	6,53	94	94	96	96	96	96	96	96
(*viii*) D.M. 85 million Credit, 1962—Rourkela Prolongation Credit (Third)	...	...	6,75	1,57	1,64	1,64	1,64	1,64	1,84	1,84	...
(*ix*) D.M. 100 million Credit, 1962	...	...	...	1,45	1,52	1,52	152,	1,52	1,52	1,52	1,52
(*x*) D.M. 61·4 million Credit (for Rourkela Refinancing)	...	...	2,56	1,34	1,40	1,40	1,40	1,40	1,40	1,40	1,39
(*xi*) D.M. 90 million Credit, 1965	...	67	3,17	1,10	1,15	1,15	1,15	1,15	1,15	1,15	1,15
(*xii*) D.M. 93·6 million Credit, 1965 (Consolidation of Rourkela Liabilities)	...	35	3,50	1,15	1,20	1,20	1.20	1.20	1,20	1,20	1,20
(*xiii*) D.M. 170 million Credit, 1963	...	...	2,25	2,46	2,46	2,46	2,46	2,46	2,46	2,46	2,46
(*xiv*) D.M. 107 million Credit, 1963	...	...	2,00	2,10	2,19	2,19	2,19	2,19	2,19	2,19	2,19
(*xv*) D.M. 396 million Credit, 1963	...	...	4,95	5,18	5,41	5,41	5,41	5,41	5,41	5,41	5,41
(*xvi*) D.M. 4 million Credit, 1963	...	...	...	5	5	6	5	5	5	5	5
(*xvii*) D.M. 82 million Credit	...	...	...	...	65	1,29	1,29	1,29	1,29	1,29	1,29
(*xviii*) D.M. 40 million Credit (Specialised Project I)	...	...	...	...	15	30	40	51	51	51	51

Due to revaluation of DM from 6-3-1961, the actual amount repaid or to be repaid is more than the amount actually drawn.

b) Exchange variations.

1	2	3	4	5	6	7	8	9	10	11
(*xix*) D.M. 40 million, 1964	...	...	...	...	...	23	45	45	46	46
(*xx*) D.M. 28·1 million, 1964	...	...	...	...	...	4	9	9	9	9
(*xxi*) D.M. 74 million, 1963	...	...	...	...	...	1,18	1,18	1,18	1,18	1,18
(*xxiii*) D.M. 6·41 million Credit, 1965	...	...	...	...	...	...	4	6	6	6
(*xxiv*) D.M. 52·16 million Credit, 1967	...	...	...	...	...	...	18	18	61	61
(*xxv*) D.M. 58·64 million Credit, 1969	...	...	...	...	...	...	80	1,60	1,60	1,60
(*xxvi*) D.M. 62 million Credit, 1969	...	...	...	...	...	...	85	1,69	1,69	1,69
(*xxvii*) D.M. 76·3 million Credit, 1970	...	...	...	...	...	...	...	1,04	2,08	2,08
(*xxviii*) D.M. 23·5 million Credit, 1965	...	...	...	...	...	...	...	26	26	26
(*xxix*) D.M. 12 million Credit, 1961	...	...	...	...	...	...	...	7	14	14
(*xxx*) D.M. 10 million Credit, 1965	...	...	...	...	...	...	6	11	11	11
(*xxxi*) D.M. 60 million Credit, 1966	...	...	...	...	...	...	...	67	67	67
(*xxxii*) D.M. 18 million Credit, 1966	...	...	...	...	...	...	...	20	20	20
(*xxxiii*) D.M. 7·25 million Credit, 1966	...	...	...	...	...	...	...	8	8	8
(*xxxiv*) D.M. 180 million Credit, 1967 (AL-303)	...	...	...	...	...	...	...	...	1,02	1,02
(*xxxv*) D.M. 289 million Credit, 1967 (AL-382)	...	...	...	...	...	...	...	...	1,95	1,95
(*xxxvi*) D.M. 28·25 million Credit (AL-248)	...	...	...	...	...	...	...	...	16	16
(*xxxvii*) DM 140 million Credit 1967 (AL-379)	...	...	...	...	...	...	...	...	...	...
(*xxxviii*) DM 71 million Credtt 1972 (AL-681)	...	...	...	...	...	...	...	...	...	...
(*xxxix*) DM 170·4 million Credit 1968 (AL-175)	...	...	...	...	...	...	...	...	...	...
(*l*) DM 16 million Credit 1968 (AL-354)	...	...	...	...	...	...	...	...	...	...
									(b)19,00	20,16(b)
Total	5,58	1,03,38	70,61	24,70	28,16	31,05	33,97	38,12	57,89	59,05
VI.—Loans from Japan :										
(*i*) First Yen Credit	...	8,21	2,68	...	35	55	...	2,01	2,16	2,16
(*ii*) Second Yen Credit	...	...	12,09	3,56	...	44	3,88	8,75	9,54	9,54
(*iii*) Third Yen Credit	...	...	...	...	...	14	...	6,09	6,64	6,64
(*iv*) Fourth Yen Credit	...	...	...	...	...	1,37	...	4,73	5,12	5,12
(*v*) Fifth Yen Credit	...	...	...	...	2,08	4,16	...	4,15	4,15	4,15
(*vi*) Sixth Yen Credit	...	...	...	...	...	1,59	...	3,19	3,19	3,18
(*vii*) Seventh Yen Credit	...	...	...	...	...	...	...	2,24	2,24	2,24
(*viii*) Food Aid	...	...	...	...	...	...	...	53	52	52
(*ix*) Eighth Yen Credit	...	...	...	...	...	...	...	...	1,63	1,63
(*x*) VOH Credit	...	...	...	...	...	...	...	...	...	...
(*xi*) Ninth Yen Credit	...	...	...	...	...	...	...	...	...	...
									14,13(b)	10,42(b)
Total	...	8,21	14,77	3,56	2,43	8,25	3,88	31,69	49,32	45,60
VII.—Loans from Switzerland :										
Credit for Third Plan	...	...	87	1,72	2,54	2,91	3,01	3,01	2,94	2,94
									(b)1,16	1,46(b)
(*i*) First Credit for Third Plan	...	...	4,16	2,98	3,84	4,11	4,12	4,15	3,56	3,56
(*ii*) Second Credit for Third Plan	...	...	1,77	2,01	3,32	3,41	3,65	3,81	4,66	3,98
Total	...	... •	5,93	4,99	7,16	7,52	7,77	7,96	8,22	7,54
IX.—Loans from Yugoslavia :										
(*i*) First Credit	...	17	5,17	3,46	3,63	3,14	2,68	1,98	1,91	1,91
(*ii*) Second Credit	...	...	...	...	1	1	1	1	1	1
Total	...	17	5,17	3,46	3,64	3,15	2,69	1,99	1,92	1,92
X.—Loans from Poland :										
(*i*) First Credit	...	11	4,59	1,90	2,38	2,59	2,59	2,41	1,54	1,49
(*ii*) Second Credit	...	...	...	...	10	10	23	23	24	23
(*iii*) Third Credit	...	...	...	...	...	...	...	38	77	113
Total	...	11	4,59	1,90	2,48	2,69	2,82	3,02	2,55	2,85
XI.—Loans from Austria :										
(*i*) First Credit	...	36	1,12	37	37	38	39	39	39	20
(*ii*) Second Credit	...	...	72	29	29	30	30	30	30	30
(*iii*) Third Credit	...	...	...	15	30	32	32	32	32	32
(*iv*) Fourth Credit	...	...	...	...	15	32	32	32	32	31
(*v*) Fifth Credit	...	...	...	...	...	19	37	37	37	37
(*vi*) Sixth Credit	...	...	...	...	...	...	...	...	8	8
(*vii*) Food Aid	...	...	...	...	...	...	...	...	2	2
(*viii*) Debt Relief (1968)		...	...	...	...	...	...	...	(b)69 ...	72(b)
Total	...	36	1,84	81	1,11	1,51	1,70	1,70	2,49	2,32
XII.—Loan from Kuwait Government :	...	14,91	13,20	4,34	4,34	4,34	1,08	...	...	...

(b) Exchange variations.

1	2	3	4	5	6	7	8	9	10	11	12
—Loan from Netherlands :	...	...	...	...	...	71	85	1,21	1,20	1,21	1,77
									(b)48	50(b)	85(b)
—Loans from Denmark :											
(*i*) First Credit	...	10	44	15	15	15	15	15	11	11	...
(*ii*) Second Credit	...	...	...	...	13	13	13	13	13	13	13
(*iii*) First Food Loan	...	...	...	...	...	20	20	20	20	20	20
									(b)15	(b)8	17
(*iv*) Second Food Loan	...	...	...	...	...	...	...	...	...	...	22
(*v*) Third Credit	...	...	...	...	...	...	...	...	...	...	25(b)
Total	...	10	44	15	28	48	48	48	59	52	97
—Loan from New Zealand :											
Credit for Purchase of wool	...	7	31	9	...	...	...	...	...	...	...
.—Loan from Bahrain:	...	...	4,86	71	71	71	70	71	71	71	71
;.—Loans from France :									(b)3	3(b)	3(b)
(*i*) FF 17 million French Credit 1966-67	...	...	80	96	1,01	1,10	1,11	1,28	1,11	1,12	1,12
(*ii*) FF 150 million Credit, 1967-68	...	...	...	1	8	33	1,07	1,34	1,40	1,39	1,48
(*iii*) FF 125 million Credit, 1968-69	...	...	...	...	5	26	46	55	72	80	87
(*iv*) FF 125 million Credit, 1969-70	...	...	...	...	...	7	28	54	82	81	84
(*v*) FF 130 million Credit, 1970-71	...	...	...	...	...	4	28	31	52	52	82
(*vi*) FF 150 million Credit 1971-72	...	...	...	...	...	...	23	51	67	82	89
(*vii*) FF 25 million Debt Relief 1968-69	...	...	...	...	...	...	38	38	37	37	37
(*viii*) FF 27·7 million Debt Relief 1969-70	...	...	...	...	...	...	...	42	42	42	41
(*ix*) FF 150 million Credit 1972-73	...	...	...	...	...	...	...	34	66	85	91
(*x*) FF 35 million Credit 1972-73	...	...	...	...	...	...	...	1	2	1	2
(*xi*) FF 56 million Credit, 1972-73	...	...	...	...	...	...	...	...	3	4	16
(*xii*) FF 27·7 million Credit, 1970-71	...	...	...	...	...	...	...	...	41	41	41
(*xiii*) FF 180 million Credit, 1972-73	...	...	...	...	...	...	...	...	22	22	58
(*xiv*) FF 214 million Credit 1973-74	...	...	...	...	...	...	...	...	...	...	3
(*xv*) FF 27·7 million Debt Relief	...	...	...	...	...	...	...	...	...	...	41
									(b)2,24	1,98(b)	(b)2,48
Total	...	...	80	97	1,14	1,80	3,81	5,68	9,61	9,76	11,80
III.—Loans from Belgium :											
(*i*) First Credit	...	...	...	...	...	...	6	6	6	6	6
(*ii*) Second Credit	...	...	...	...	...	...	13	13	12	13	13
(*iii*) Third Credit	...	...	...	...	...	...	...	...	...	...	
									(b)6	7(b)	12(b)
Total	...	...	...	...	...	...	19	19	24	26	41
IX.—Loan from Qatar:	...	...	3,52	94	94	94	94	94	94	94	94
									(b)4	5(b)	(b)5
XX.—Loan from Italy:	...	...	...	...	6	12	12	58	58	58	1,43
									(b)7		
XI.—Miscellaneous Credits:	...	...	...	...	...	...	...	...	4,92	3,10	94
XII.—Loan from Norway:	...	...	...	...	...	...	...	17	...	...	...
III.—Loans from Sweden 1964:	...	...	...	...	...	...	...	...	...	...	17
											5(b)
INTERNATIONAL AGENCIES											
II.—I.B.R.D. Loans :											
(*i*) Agricultural Machinery Project Loan	3,43	...	...	...	...		...	...	...	...	...
(*ii*) Railway Project Loan I	10,99	4,63	...	...	...	...	...	...	...	...	...
(*iii*) Railway Project Loan II	...	15,36	5,69	...	...	7,56	3,91	...	...	...	...
(*iv*) Railway Project Loan III	...	5,74	5,63	38	90	3,94	4,12	4,36	4,61	4,61	4,88
(*v*) Railway Project Loan IV	...	3,15	3,61	1,94	2,05	2,24	2,32	2,45	2,60	2,60	2,76
(*vi*) Railway Project Loan V	...	3,13	6,29	2,58	2,73	2,89	3,06	3,24	3,43	3,43	3,63
(*vii*) Railway Project Loan VI	...	1,30	3,87	1,74	1,84	1,72	2,06	2,18	2,31	2,31	2,45
(*viii*) D.V.C. I	2,54	2,60	2,72	1,04	53	...	...	...	...	...	...
(*ix*) D.V.C. II	75	95	35	...	...	46	46	48	51	51	53
(*x*) D.V.C. III	...	2,09	76	...	...	99	1,05	1,11	1,17	1,17	1,23
(*xi*) Koyna Project Loan (I Stage)	...	25	1,05	28	54	59	61	64	67	67	71
(*xii*) Coal Industry	...	...	3,83	1,83	1,94	2,07	2,17	2,30	2,43	2,43	2,58
(*xiii*) Power Transmission (416-IN)	...	...	...	...	...	56	1,05	1,11	1,17	1,17	1,23
(*xiv*) Kothagudem II (417-IN)	...	...	...	...	...	13	30	31	33	33	35
									(b)167	(b)140	(b)165
Total	17,71	39,20	33,80	9,79	10,53	23,15	21,11	18,18	20,90	20,63	22,00

OTE.—Figures shown under Columns 2 to 4 of the statement are at pre-devaluation rates of exchange.

(b) Exchange variations.

1	2	3	4	5	6	7	8	9	10	11
XXIII.—I.D.A. :										
(*i*) Roads Project	...	...	...	...	...	45	48	54	54	54
(*ii*) U.P. Tubewell Project	...	...	...	...	...	2	5	5	5	5
(*iii*) Shetrunji Irrigation	...	...	...	...	...	...	3	3	3	3
(*iv*) Salandi Irrigation	...	...	...	...	...	...	6	6	7	7
(*v*) Punjab Drainage	...	...	...	...	...	...	8	9	8	9
(*vi*) D.V.C. IV	...	...	...	...	...	...	13	15	15	15
(*vii*) Sone Irrigation	...	...	...	...	...	...	6	14	14	14
(*viii*) Purna Irrigation	...	...	...	...	...	...	5	12	12	12
(*ix*) Koyna Project (IInd Stage)	...	...	...	...	...	...	7	16	16	16
(*x*) Bombay Port Trust	...	...	...	...	...	...	6	13	14	13
(*xi*) P & T (Telecommunications)	...	...	...	...	...	...	17	38	38	38
(*xii*) Railway Project VII	...	...	...	...	...	...	...	58	58	61
(*xiii*) Kothagudem Power Project	...	...	...	...	...	...	...	9	18	18
(*xiv*) Industrial Imports 52-IN	...	...	...	...	...	...	...	...	41	41
(*xv*) II Telecommunication Project	...	...	...	...	...	...	...	...	15	15
(*xvi*) VIII Railway Project	...	...	...	...	...	...	...	...	56	56
(*xvii*) II Industrial Imports 78 IN	...	...	...	...	...	...	...	...	...	...
									(b)32	(b)30
Total	...	...	...	...	...	47	1,24	2,52	4,06	4,07
Grand Total	48,50	3,08,63	4,66,90	1,74,99	1,90,28	1,91,68	2,22,25	19,52,C0	2,97,32	2,93,29

(b) Exchange variations.

Capital and Loans to Public Sector Undertakings

This table gives, at one place, the estimates of the capital and loans to be provided by government to financial insti-tions and undertakings in the public sector during the current and the next year.

(In lakhs of Rupe

Name of Institution	Budget, 1974-75			Revised, 1974-75			Budget, 1975-76	
	Capital	Loan	Total	Capital	Loan	Total	Capital	Loan
FINANCIAL INSTITUTIONS								
Shipping Development Fund Committee	..	71,50	71,50	..	68,50	68,50	..	59,97
Agricultural Refinance Corporation	..	40,00	40,00	..	50,00	50,00	..	50,00
National Co-operative Development Corporation	..	6,65	6,65	..	3,60	3,60	..	13,10
Land Mortgage Banks	9,00	..	9,00	..	..	..	6,00	..
Repatriates Co-operative Finance and Development Bank Ltd.	6	6	6	5	..	5	5	20
Newspaper Finance Corporation	20	20	..	..	..	..	20	..
Industrial Credit and Investment Corporation of India	..	21	21	..	21	21	..	21
Industrial Finance Corporation	..	1,83	1,83	..	21	21	..	27
Industrial Development Bank of India	50,00	15,00	65,00	..	1,50	1,50	..	6,00
General Insurance Corporation	6,36	..	6,36	6,36	..	6,36	..	..
Delhi Small Industries Development Corporation	40	..	40	54	25	79	47	..
Total	66,02	1,35,19	2.01.21	6.95	1.24.27	1,31.22	6.72	1,29.75

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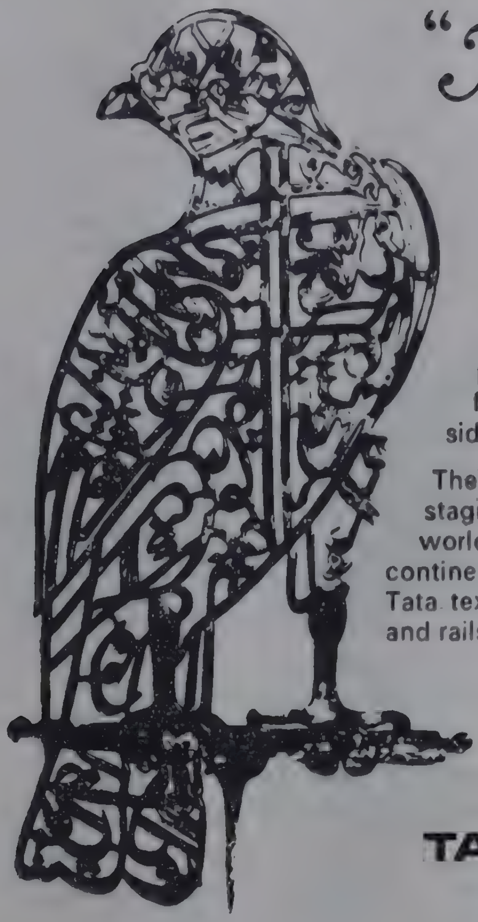

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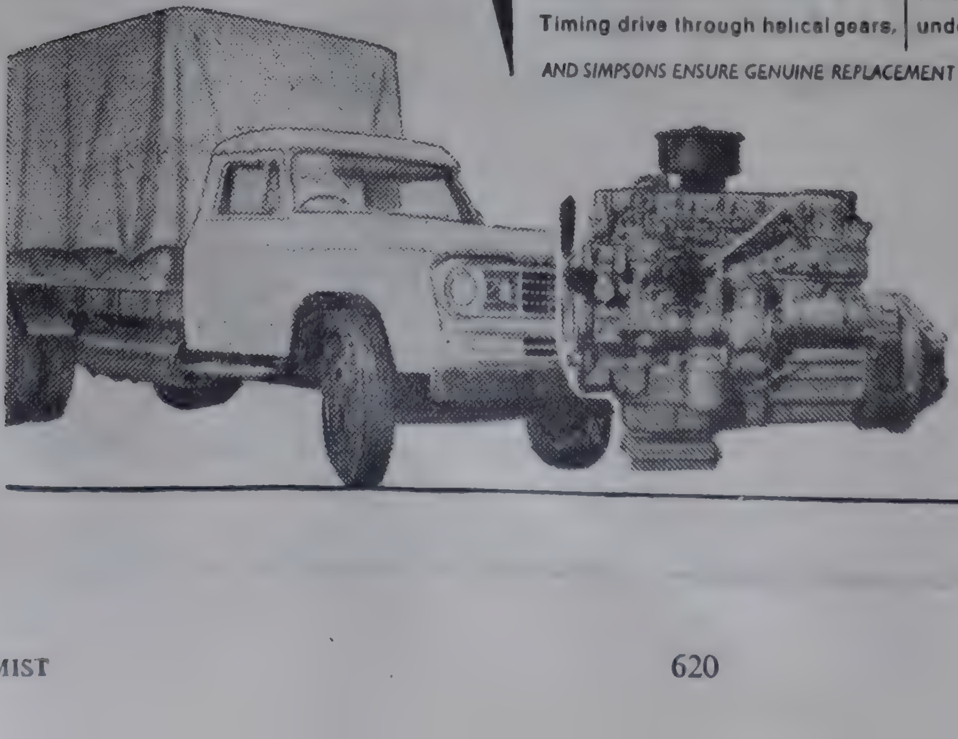

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Economic survey : 1974-75

FIRST year of the fifth five- r Plan period i.e. 1974-75 up a dismal performance. growth in national ome and the rates of ings and investment were npletely out of tune with general pattern of develop- nt assumed in the draft of fifth Plan. The Economic rvey for 1974-75 prepared the ministry of Finance and eased a few days ahead of central budget came to s conclusion after analys- the developments in all the jor sectors of the eco- my.

Given below are the first d the last chapters of the rvey in full. They describe t only what transpired in 74-75 but also the expecta- ns of the ministry of Finance 1975-76.

By all accounts, 1974-75 was year of unprecedented econo- ic strains in the history of dependent India. However, was also a year of deter- ined action on the part of e government, demonstrat- g vividly the basic resilience f our democratic polity in appling with crisis situa- ons.

nprecedented strain

The first half of the year ecorded the sharpest rate of ncrease in prices in the post- ar years. Several factors con- ributed to this outcome. here was the disproportionate xpansion of money supply nherited from the two pre- ious years. Inflationary ex- ectations also seem to have eceived an added impetus in he earlier part of the year be- ause of unsatisfactory pro- duction and procurement of foodgrains during the 1974 rabi season. There was also a large increase in prices of various petroleum products as well as fertilisers in the beginning of the year—which was, in turn, an inevitable by-product of steep increase in posted prices of crude oil in January, 1974.

The overall international environment of inflation, leading to a sharp increase in prices of a large number of imported products of basic importance to the economy, gave further stimulus to the already strong inflationary impulses operating in the economy. In a situation in which international prices of commodities such as foodgrains were much higher than domestic prices, imports, even when physically available, could not exercise a visible downward pressure on domestic prices. However, while international factors undoubtedly aggravated the situation, it must be recognised that the inflationary pressures of the last two years are basically rooted in some of the obvious inadequacies of our domestic economic structure, the principal manifestation of which can be found in the continued sluggishness of agricultural production since 1971-72.

Salutary measures

Faced with the gravity of the economic crisis, the government took vigorous measures designed to moderate the growth of monetary demand and to discourage unduly large accumulation of stocks. The combined result of the tax proposals contained in the regular annual budget for 1974-75 as well as the second Finance Act, the increase in postal rates and the enhancement of railway fares and freight twice in the year, was the mobilisation of a record amount of Rs 690 crores by way of additional financial resources by the central government in 1974-75. In a full year, these measures are expected to yield Rs 935 crores. The states also put in significant efforts at additional resource mobilisation, yielding Rs 358 crores in 1974-75. On any reckoning, this was an impressive attempt at resource mobilisation. It is, however, unfortunate that a large part of these resources has been absorbed by inescapable commitments of non-developmental, though by no means non-essential, expenditure.

The government made strenuous efforts to maintain the tempo of investment activity in the vital core sectors of the economy. During the course of the year, additional funds were allocated to these sectors to meet the unavoidable increases in project costs. Nevertheless, it cannot be denied that the pace of public sector investment could not be sustained at an adequate level. This was unavoidable in a year in which concern with price stability had, quite justifiably, the first priority in the mind of policy makers. To the extent various measures of resource mobilisation have led to a reduction in the magnitude of deficit financing and slowed down the expansion of money supply, they have helped to create a macro environment conducive to greater economic stability.

Regulating incomes

Measures for additional resource mobilisation were supplemented by more direct attempts at regulation of disposable consumer incomes. Thus the legislation impounding a part of additional dearness allowances and the entire increase arising from revision of wages and salaries, imposition of restrictions on declaration of dividends beyond stipulated limits and compulsory savings for tax payers in higher income brackets, represented a serious effort at moderating the growth of household spending. The increase in intererst rates and exercise of greater discipline since the 1974 slack season in the expansion of bank credit to the commercial sector were designed to encourage savings and to provide a disincentive to excessive accumulation of inventories. It is possible that some of these measures produced unintended adverse si effects. However, their overa impact thus far in the curre year has been to bring abo a visible reduction in the ra of growth of money suppl In a year, which is likely be characterised by hardly an growth in real national i come, a more rapid increase money supply would hav greatly intensified the infla- tionary pressures.

Drive against smugglers

As part of a package o anti-inflationary measure government also intensified it operations against smuggler hoarders and black marketeer The active use of MISA agains smugglers and other anti-socia elements seems to have im mobilised a part of blac money, hitherto being used t finance an undue accumula tion of inventories. The re sulting reduction in the velo city of circulation of mone has encouraged dis-hoardin of sensitive commodities and as such has assisted in stabi lising the price level.

The adoption of variou measures designed to mode rate the growth of monetr expansion does not imply blind faith in the monetaris approach to problems o economic policy. However considering the exceptionall large growth of money suppl in recent years, one does no have to subscribe to the monetarist prescriptions t conclude that greater finan- cial and monetary disciplin must constitute an essentia element of any stabilisatio policy. At the same time, i is recognised that in a predo minantly agrarian economy food prices form the king-pi of the price structure and tha these prices can be stabilise only by ensuring a prope balance between demand an supply. Since in the short run output could not be increase significantly, there was no al ternative to sizeable import of foodgrains. Accordingly government arranged to im port about five million tonnes of foodgrains in 1974-75. Moreover, in order to influence the state of price expectations, in the closing months of 1974, the government firmly resisted sectional pressures for higher procurement prices, which could not be justified by the objective requirements of increased production or procurement.

Favourable impact

The behaviour of prices since the third week of September, 1974 indicates that the various stabilisation measures have had a favourable impact. The fall in prices in the last quarter of 1974, notwithstanding an unsatisfactory kharif crop, suggests some weakening of inflationary forces. The improved prospects for the forthcoming rabi crop can be expected to have a further moderating influeuce on prices. Even then, it has to be recognised that there are still sizeable imbalances in the demand and supply of basic wage goods. As such, it will be unwise to assume as of now, that the struggle against inflation has been brought to a successful conclusion.

The performance of some important sectors of the economy in 1974-75 is summarised in the following paragraphs.

National Income

Official estimates of national income in 1973-74 indicate that the growth rate was only 3.1 per cent. The overall rate of growth of the economy during the fourth Plan avearged about three per cent per annum. This is a disappointing performance for any economy in which population is increasing at an average annual rate of 2.2 per cent. Since effective solutions for the basic problems of poverty and under-development can be found only through rapid economic growth, our objective must be to gear the economy to a higher growth rhythm than it has been used to in the past. Unfortunately, no visible progress is likely to have been made in this direction in 1974-75 since the economy on current expectations, is not likely to record a rate of growth of more than one per cent.

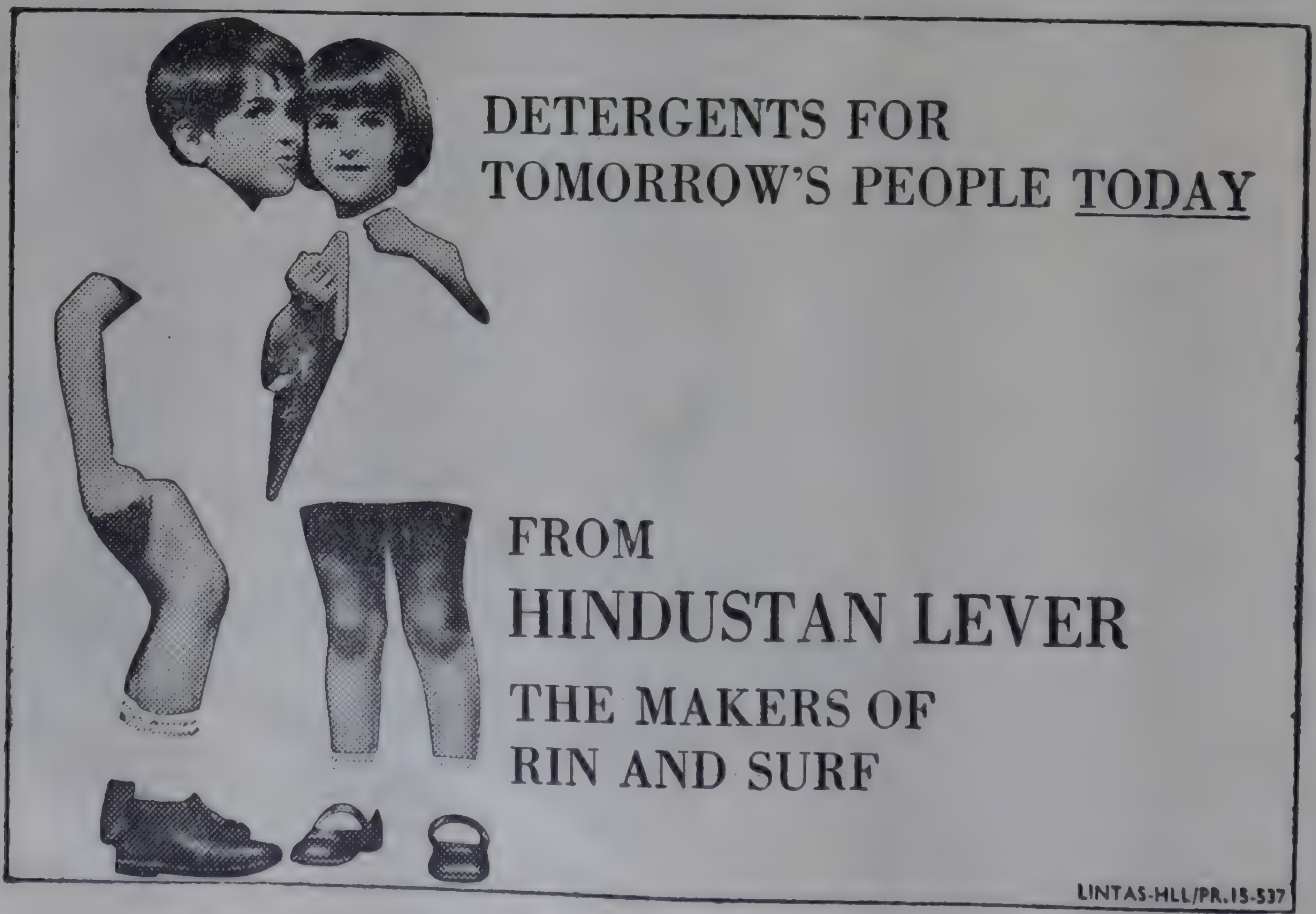
Official estimates of saving and investment for 1973-74 are still not available. However, it appears that the steep rise in the price level has adversely affected the rate of saving in the economy. Due to lack of data on savings in the form of physical asset formation in the household sector, a broad idea of the saving of this sector has necessarily to be based on data on net financial assets of this sector.

Household savings

The Reserve Bank has estimated that household saving in the form of financial assets at current prices increased by only Rs. 329 crores in 1973-74. Computed in real terms, the increase would be negligible. While in terms of current prices, the saving of the public sector consisting of central and state governments (including local authorities) and their undertakings was perhaps a shade better than in the previous year, here again, in real terms, there appears to have been a decline
on account of the price
In respect of the private
financial corporate sector
it is estimated that its sa
in 1973-74 was stagnan
the 1972-73 level. In
therefore, the aggregate
mestic saving in 197
seems to have declined in
terms.

Capital formation

As regards investm
some idea of the capital
mation in the public se
in 1973-74 can be formed
the basis of economic cl
fication of the central bud
These data shows that, altho
in money terms there wa
marginal increase in ca
formation, in real terms t
was a significant decline.
is not possible to give even
approximate estimate of c
tal formation in the house
sector for lack of adeq
data. In regard to the pri
non-financial corporate sec
however, an overall view a
the trend of investment b
on the flow of funds to
sector for investment purp
through financial interm
ries, capital issues and its
investible funds gener
through retained profits



eciation provision can be
ied. Based on these data
Reserve Bank has estima-
hat the gross capital for-
on of the corporate sector
eased by less than nine per
in 1973-74 compared to
ncrease of 13.5 per cent in
preceding year.

n aggregate terms, both
estic saving and invest-
t as a proportion of natio-
come seem to have declin-
n 1973-74 as compared to
-73. While domestic saving
about 10 per cent of
onal income, investment
have been around 11 per
of national income. There
likely to have been any
rovement in 1974-75. This
n indication of the task
lies ahead in our quest
more dynamic economy.

cultural situation

There is considerable evi-
e to suggest that India's
culture seems to have lost
momentum for growth it
bited in the late sixties.
index of agricultural pro-
ion reached a record level
31.6 in 1973-74. However
s only marginally higher
the previous peak level of
4 reached in 1970-71. The
that the population of
country has since increased
early seven per cent under-
es the imbalance between
lability and requirements
as a result of the sluggishness of agricultural output.

In large measure, adverse weather conditions have been responsible for this unsatisfactory state of affairs. However, it would be a mistake to regard the continued sluggishness of agricultural output as being due wholly to the operation of such random factors as weather conditions. For example, the decline in the output of wheat after 1971-72 is partly attributable to the appearance of a new rust disease affecting Kalyan Sona. Because of more favourable weather conditions, the output of wheat during the coming rabi season may well stage a recovery. Nevertheless, the maintenance of a healthy upward trend in the output of wheat is crucially linked to the availability of new rust resistant varieties of seed.

Stagnant production

As regards rice, despite a three and a half times increase in the area under high yielding varieties in the fourth Plan period, there has been no visible acceleration of the rate of growth of productivity in the traditional rice growing states. Although output in 1973-74 reached the record level of 43.7 million tonnes, it was only marginally higher than the previous peak level of 43.1 million tonnes reached in 1971-72. The output of rice in the 1974 kharif season is estimated to have declined by nearly 1.7 million tonnes from the level of 40.7 million tonnes reached in the kharif season of 1973. Susceptibility of new varieties to pests and diseases, particularly under conditions of lack of effective control on water supply, continues to pose a major problem. Among coarse grains, with the exception of bajra, the new high yieldiag varieties have yet to establish their popularity. As for pulses, there are at present no effective high yielding varieties.

Commercial crops

Production in the fourth Plan period averaged 10.9 million tonnes, which was only slightly above the average for the first Plan (10.7 million tonnes). Among commercial crops, the new varieties seem to have made a visible impact only in the case of cotton. Even in this case, output after 1971-72 has failed to reach the peak level of 6.6 million bales attained in 1971-72. Output declined to 5.4 million bales in 1972-73 but recovered to 5.8 million bales in 1973-74. In 1974-75, the output is likely to be about 6.0 million bales. There are indications that while the output of sugarcane in 1974-75 may be about the same as in 1973-74, there is likely to be a decline in the production of both oilseeds and raw jute.

On current reckoning, the Index of Agricultural Production in 1974-75 is unlikely to record any significant increase. The output of foodgrains may be about the same as the level of 103.6 million tonnes reached in 1973-74. The subgroup index of commercial crops may record a decline.

Industrial Production

Industrial output in the first seven months of 1974 increased by 2.3 per cent. Judging by the available production data for subsequent months, the rate of growth of industrial production in 1974 may be about 2.5 per cent as compared to 0.7 per cent in 1973. However, for the fiscal year 1974-75, the increase in industrial production may be of the order of 3.5 per cent as compared to 0.5 per cent in 1973-74.

In the earlier part of the year, factors such as shortages of power, fuel and transport facilities hampered industrial production. More recently, there has been a notable improvement in the generation of power and in the production and transport of coal. Howevever, on account of none too encouraging prospects for increased availability of agricultural raw materials, the overall outlook for industrial production continues to be uncertain. In the meanwhile, if unsettled conditions in industrial countries affect the demand for our exports, this could be a further complicating factor.

It is a matter of considerable satisfaction that many public sector undertakings continue to record higher levels of production. Output in a number of core sector industries has shown encouraging trends. According to advance information which is necessarily of a provisional

Selected Economic Indicators

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
		(Percentage change over previous year)				
National Income at constant (1960-61) prices	5.7	4.9	1.4*	—0.9*	3.1**	1.0(E)
Agricultural production	6.7	7.3	—0.4	—7.1*	9.1*	—
Foodgrains production	5.8	9.0	—3.0	—7.7*	6.8*	
Industrial production	7.4	3.0	3.3	5.3	0.5	3.8†
Electricity generated	14.4	8.4	8.8	4.8	1.6	7.8††
Wholesale prices	3.7	5.5	4.0	9.9	22.6	27.2£
Money supply	10.8	11.2	13.1	15.9	15.3	3.1@
Imports	—17.1	3.3	11.6	—1.5	56.4	53.8††
Exports	4.1	8.6	4.8	21.9	25.9	36.2††
Freight carried by railways (net tonne kilometres)	2.5	—0.7	4.6	2.5	—10.4	3.7††

(E) Estimated * Provisional ** Quick estimate † April-July, 1974 compared to April-July, 1973. £ April-December, 1974 compared to April-December, 1973. @ As on January 31, 1975 compared to March 31, 1974. ††April November, 1974 compared to April-November, 1973.

nature, industries such as electricity generation, steel and coal recorded a significant increase in output during the period April to December, 1974 as compared to the corresponding period of 1973.

Power output

The output of electicity went up by 6.0 per cent, of saleable steel from principal producers by 10.4 per cent and of coal by 8.5 per cent. The output of nitrogenous fertilisers went up by 8.0 per cent though that of phosphatic fertilisers went down by 7.1 per cent. On the debit side, industries like cement and aluminium recorded a fall in output by 3.5 per cent and by 17.0 per cent respectively. Among consumer goods the production of vanaspati declined by 29.3 per cent.

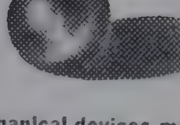
While the output of cotton yarn remained stagnant, that of mill made cotton cloth went up by 3.9 per cent. The output of commercial vehicles declined by 6.7 per cent while that of cars and jeeps went down by 23.7 per cent and 19.7 per cent respectively. The output of scooters went up by 15.0 per cent. Vehicular diesel engines recorded an impressive growth of 45.2 per cent.

Although the capital market and, in particular, the new issues market, has been depressed since the ordinance imposing restrictions on dividends was issued in July, 1974, the data relating to approvals by the Capital Goods Committee, and demand for funds from the term financing institutions do not indicate any visible slackening of industrial investment in 1974-75. However, since investment behaviour is often subject to unpredictable moods of pessimism and optimism, the situation needs to be carefully watched so as to facilitate a flexible response to the emerging situation.

Wholesale prices

The Wholesale Price Index reached its highest peak in the weak ending September 21, 1974. The index at that point was 32 per cent higher than during the corresponding week of 1973. In the following three months, prices declined by about five per cent. As a result, the index at the end of December, 1974 was 18.8 per cent higher than at the end of December, 1973. This is to be contrasted with an increase of 26 per cent in the index between December, 1972 and December, 1973. Despite the welcome relief of recent months, the average value of the Wholesale Price Index in 1974 went up by 27.3 per cent as compared to the average increase of 19.2 per cent in 1973. This is an indication not only of the continuing strength of the inflationary forces in the economy but also of severe distortions that inflation has introduced in our economic structure.

BIG
SHOT



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It has to be noted that nearly one-half of the rise in the Wholesale Price Index both in 1973 and 1974 was due to a steep increase in the prices of food articles. The improved prospects for the forthcoming rabi crop, the fact that government have arranged to import sizeable quantities of foodgrains to maintain an orderly flow of foodgrains through the public distribution system and a reduction in the rate of growth of money supply can be expected to have some stabilising effect on prices.

Impact absorbed

The impact of the sharp increase in the prices of petroleum products would by now appear to have been largely absorbed in the price structure. Taking all these factors into account, one can expect, that in the coming months, the rate of growth of prices will slow down as compared to the corresponding period of the last year. However, given the existing precarious balance between demand and supply of basic wage goods and the known instability of agricultural output, it cannot be readily assumed that, with that additional efforts, we can
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Lower deficit

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ce of payment

e steep increase in the of imported fuel, food ertilisers has given rise newed pressures on our ce of payments, even h this pressure has so een contained within geable limits as a result nificant increase in the of our exports as well ge borrowing from the

ccording to the customs data, exports during 1973-74, increased by about 26 per cent as compared to 1972-73. On the other hand, the value of total imports recorded a still sharper increase of nearly 56 per cent. As a result, the balance of trade showed a deficit of Rs 437.7 crores in 1973-74 as compared to a surplus of Rs 100.3 crores in 1972-73. During the first eight months of 1974-75, the trend towards a faster expansion of imports than that of exports has continued. While exports moved up by 36 per cent the rise in the value of imports was of the order of 54 per cent, resulting in an adverse trade balance of Rs 425 crores.

IMF facility

In February 1974, India drew Rs 62.6 crores under the compensatory financing facility of the IMF. In the current year, India has so far drawn Rs 488 crores from the IMF. The IMF borrowings have to be repaid in the coming 3 to 7 years. This implies that unless India's imports decline in the coming years or exports display a much greater buoyancy than was the case in the past, we shall be faced with a balance of payments problem of unusal severity. In this context the highest priority needs to be attached to reducing our dependence on imported foodgrains as well as imported oil and fertilisers. In any viable planning for our balance of payments, we must also take note of the continuing weakness of India's export promotion efforts.

Fortuitous circumstances

The recent increase in the value of exports is mostly a consequence of fortuitous circumstances connected with world inflation and the international commodity boom. In volume terms, India's exports in 1973-74 grew no faster than 3.6 per cent and the average annual rate of growth of export volume in the fourth Plan period was no higher than 4.2 per cent. With the expected decline in international commodity prices to their more normal levels, India's export earning may receive a visible setback unless we can revitalise our promotional efforts.

Year in Retrospect

1974-75 happened to be the first year of the fifth Plan. Unfortunately judging by such criteria as the rate of growth of national income and rate of saving and investment, the economy's performance during this year has been out of line with the expectations underlying the draft fifth Plan document. This was perhaps inevitable in a year in which the economy experienced not only a considerable shortfall in agricultural output in the kharif season but also received severe external shocks. In view of the acute inflationary pressures, the foremost concern of economic policy was to impart a measure of stability to the economy. Since no viable development strategy could be implemented in the background of steeply rising prices, it was inevitable that longer term goals had to give precedence

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to the short term task of economic stabilisation.

It would still be premature to assume that the economy was on the threshold of a new era of price stability. Nevertheless, the continuing concern with problems of stability has to be matched by selective stimuli at strategic points, designed to raise the rate of saving and investment in the economy. Unless the economy grows, even price stability in a poor country such as ours will elude us. This is a measure of the challenge that policy planners will have to face in 1975-76.

Outlook for 1975-76

Forecasting the rate of growth of an economy in which agriculture accounts for nearly one-half of national income is always a risky venture. In any such evaluation one has to take note of the continuing operation of a number of domestic constraints as well as the increased uncertainty of the international trading environment which may act as inhibiting factors in any marked step-up in the rate of growth of national income during 1975-76. Nevertheless, the available information in respect of some important sectors of the economy points to an improvement in the overall performance of the economy in the coming year even though no dramatic changes can be expected in the short run.

Green revolution

Reference has been made earlier in this *Survey* to the limited impact of the Green Revolution on agricultural production, as also to a certain deterioration in the quality of seeds which has affected the production of wheat since 1971-72. Nevertheless, considering the fact that since 1970-71 the irrigation potential has increased by nearly 3 to 4 million hectares and that the high-yielding varieties now cover a much larger area, it should be possible to sustain a higher growth rate in agricultural output in the years to come. Uncertainty regarding the availability of fertilisers and a steep increase in their prices since May 1974, however, complicate the picture and make it difficult to form a definite judgement about the likely growth of agricultural production in the coming years. It is, of course, obvious that a substantial increase in the rate of growth of food production is greatly dependent on the achievement of a breakthrough in the productivity of rice and coarse grains. Among commercial crops, only raw cotton offers some promise in the short run, even though the expectations aroused earlier by the discovery of new varieties such as MCU-5 and Hybrid-4 have had to be modified considerably since then.

Growth of power

As for industrial production, the power supply is expected to maintain a rate of growth of about 10 per cent in 1975-76, assuming normal rainfall. The production of coal and steel can also be expected to show an upward trend. These factors should provide a significant stimulus to increased production in industry, provided that the transport bottleneck ceases to be as important a constraint as was the case in the past. However, the international trading environment has become more unfavourable and this may well affect exports of some of our industrial products.

Greater utilisation of industrial capacity would facilitate a significant increase in industrial output. Yet it has to be recognised that fullar utilisation of capacity in capital goods and intermediate products is linked in an important manner to the progress of public sector investment. If the stringency of financial resources stands in the way of a significant step-up of investment in the public sector, this will affect capacity utilisation. Moreover, one has to take note of the inevitable fluctations in the production of important industrial raw materials of agricultural origin. Nevertheless, on current expectations, the overa
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Increase in production

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Chairman: **M. SUNDER RAM SHETTY**

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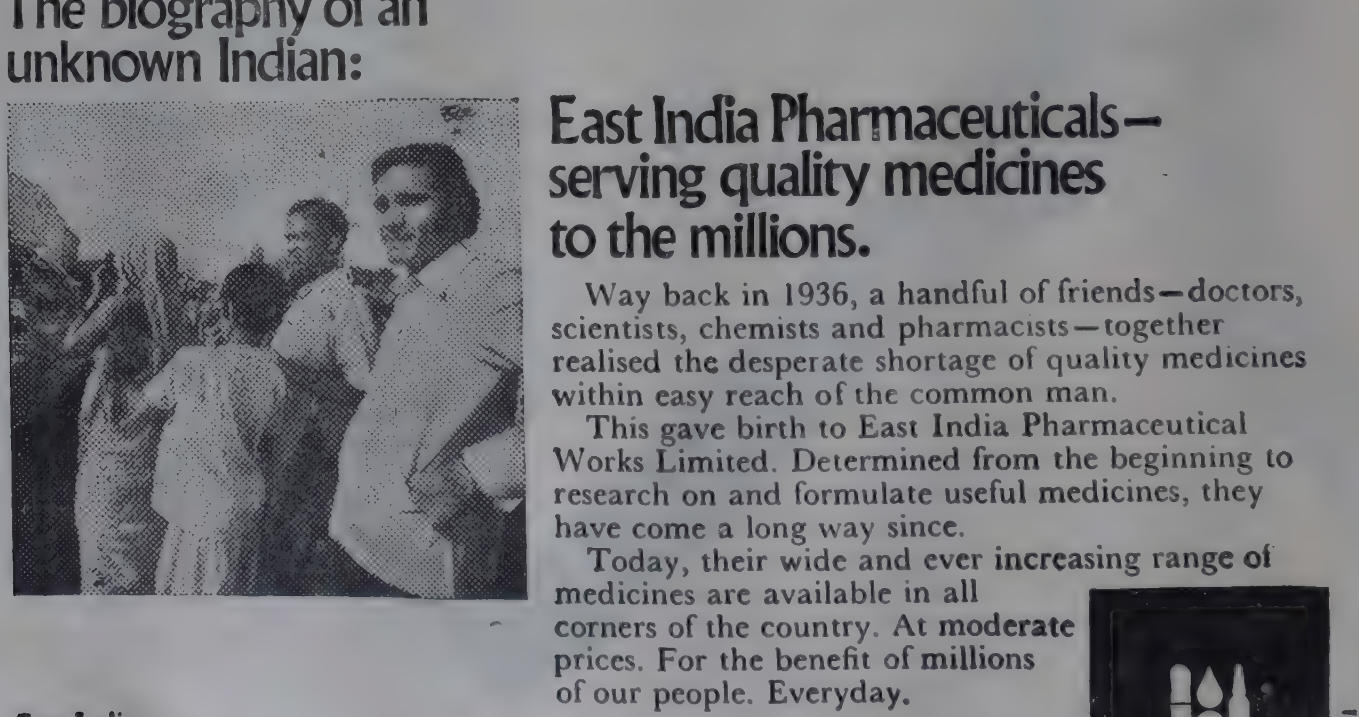

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r investment may require adjustment in current cies in the futuie.

3oth the timing and the nt of needed adjustments be influenced by the trend xport demand as well as by state of the domestic food nomy. However, as of now, ppears that in the back-und of acute inflationary ssures in the last two rs, our response to such a ation should be to sustain iness confidence in invest-it and export markets ugh more selective stimuli ner than a general reflation demand.

bilising resources

In recent years, govern-it have made impressive rts to mobilise additional ncial resources both by of taxation and market rowings. Unfortunately, a jor proportion of the re-rces thus mobilised has n absorbed by the increase non-developmental expendi-e, particularly on pay and wances. As a result, the lic savings potential impli- in additional resource bilisation efforts has not n realised. Since an in-ase in the saving rate is an ential condition for sustain- higher rates of investment, v strategies will have to be rked out to raise the rate of ing. On account of a steep rease in prices in the last years, this is admittedly t going to be an easy task. t a fuller utilisation of the stantial excess capacity it now exists in the public tor alone would make a sig-cant contribution to enlarg- the pool of public sector sa-gs. A more realistic pricing icy for public sector enter-ses would also help to gene- new savings. Similarly, ption of more effective hods of tax administration gned to reduce tax eva- would not only help to e public sector savings also enhance the effec-ness of our tax system in cing inequalities in income wealth. Moreover, pur-of flexible pricing policies industrial products in gene- would not only help to reduce the hold of black money on our economy but would also improve government revenues and public savings.

There are also considerable opportunities for diverting more of available savings for higher priority investments both in the public sector and in the private sector. Currently, the bulk of national savings originate in the household sector but only one-half thereof takes the form of financial assets whose deployment is generally subject to social control. It is likely that the rapid inflation of the last two years may have reduced the attractiveness of savings in the form of financial assets such as bank deposits. It is necessary to forestall such a development through a policy-mix which is conducive to increased savings in the form of approved financial assets. Ways and means have also to be found to ensure that the available savings in the corporate sector are plouged back into expansion in high priority industries rather than being diverted to projects which are very low on the list of national priorities.

Population growth

In any viable strategy for raising the standard of living, one can hardly over-emphasise the importance of reducing the rate of population growth. The family planning programme has helped to create greater awareness of the population problem in the country. It has been estimated that currently about 15 per cent of couples of child bearing age practise family planning. The birth rate also shows a declining tendency. Nevertheless, overall progress has fallen considerably short of the initial expectations. It is therefore, necessary to reorient our family planning programme so as to ensure that it gains the required momentum.

The steep increase in the price of petroleum since January, 1974 represents a major structural change in international economic relations. It is obvious that in order to ensure continued viability of India's balance of payments in the years to come, we must not only reduce our dependence on imported sources of energy but also greatly intensify our export promotion efforts. As a result of higher oil prices, we shall have to think in terms of a minimum increase of 10 per cent per annum in the export volume. The rapid increase in the value of our exports in the past two years was mostly due to higher prices and in terms of volume, the export growth of about four per cent per annum observed since 1968-69 does not indicate any major breakthrough.

In 1974-75, we had to draw heavily on the resources of the IMF to finance our payments. gap. The IMF is expected to operate an expanded oil facility in 1975 and this should provide us with some more time for adjustment to the new realities. However, we must plan ahead for the days when there will be no oil facility in the IMF and we will be called upon to start repaying to the IMF our existing debts. In this context, the task of export promotion assumes very great importance.

In the last fifteen years, India's economic structure has been greatly diversified. As such, we now have the capacity to achieve a major breakthrough in exports provided exporting, on balance, becomes as remunerative as, if not more attractive than, sales in the home market. The world trading environment in 1975 is not likely to be conducive to a major expansion of world trade. Nevertheless, since our share of world exports in manufactures is insignificant, given an active promotional policy, we should be in a position to raise our export earnings by a substantial amount.

An regards the agricultural sector, a significant increase beyond the observed trend

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rate of growth of about three per cent per annum will require a major reorientation and strengthening of our agricultural programmes. At the same time, we must not fall a prey to the romantic illusion that there are readymade shortcuts to the modernisation of agriculture. In the short run, there are limits to an increase in the production of foodgrains. Moreover, one cannot lose sight of the inevitable fluctuations in output from year to year. As such, while adopting every possible measure to increase food production, the utmost emphasis must continue to be laid on strengthening the system of procurement and public distribution of foodgrains.

As will be obvious from the analysis contained in the earlier part of this *Survey*, there is an urgent need to revitalise the seed industry in the country. Arrangements for the production of breeder seeds need to be greatly expanded and for this purpose, it is necessary to have a fresh look at the resources which are being earmarked for agricultural research. There must also be an augmentation of the capacity of the National Seeds Corporation and the other public sector agencies to cope with the increasing demand for quality seeds.

It is equally essential to step-up the rate of expansion of net area under irrigation, from about one million hectares per annum in the past five years, to about two million hectares per annum in the coming years. This would require that various major and medium irrigation works which are under construction or in advance stages of planning should not be starved of funds on account of over-run of costs. It will be necessary to resolve the interstate disputes over the distribution of river waters with greater speed and efficiency. A failure to settle these disputes involves a significant national loss of potential output which would have been made possible by a faster expansion of the area under irrigation. In addition, more effective arrangements will have to be made for the speedy exploitation of vast groundwater resources in eastern and north-eastern India.

No less important is the task of making full use of the existing irrigation potential. The Command Area Development Programme contemplated in the draft fifth five-year Plan can make a significant contribution to increasing agricultural output, provided the administrative structure has the necessary degree of flexibility and adaptability. The programme has been slow in getting organised. It is necessary to impart a greater degree of momentum to this programme so as to ensure that practical answers to various organisational and technical problems are speedly found.

At a time when we spend large amounts of money on imported fertilisers, it is distressing to find that a sizeable proportion of domestic capacity goes unutilised. Inadequate snpply of power has contributed to this state of affairs.

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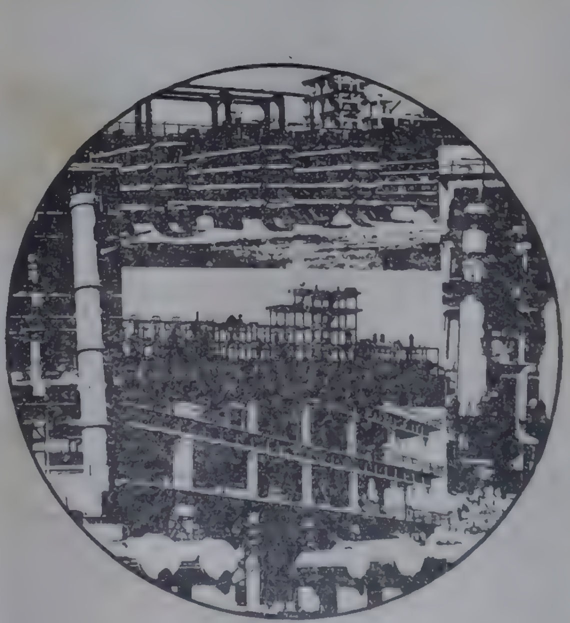

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Speech delivered by Mr S. Ranganathan, Chairman, Ashok Leyland mited to the Shareholders at the Twentysixth Annual General Meeting of the ompany held on 3rd March 1975 at Ennore, Madras-600 057

nds,

I have great pleasure in coming you to the 26th nual General Meeting of r Company. The Director's port and Audited Accounts the year ended 30th Sepber 1974 have been in r hands for some time now l, with your permission, I ll take them as read.

neral Economic Conditions

The year under review has n an extremely difficult one the economy of our country. e to inadequate rains, food duction has declined, and lustrial output has been iously affected by shortages materials, inadequate availlity of power and to a lesser ent problems with transport ttlenecks. All these proms, are however, by far outighed by the problems ised as a result of the world crisis which has resulted what can only be described a phenomenal increase in world prices of crude oil. s has been one of the main ses of the severe inflationapressures witnessed in this intry. To combat inflation, Government took prompt ion by introducing measures h as a control on the ount of credit available. npulsory Deposit Scheme, vidend Restraint, and reducis in public expenditure. naturally took time for e measures to take effect, from October 1974, there e definite signs of a decline he rate of inflation and the s of quite a few items ilised and some even starto fall.

The Government continues ake action to improve the eral industrial climate. The n task now is to increase luction, generally, and to ensure that all existing resources are utilised to the maximum possible extent. Whilst doing this, a great deal of attention must be given to improving distribution. India is a vast sub-continent, and I suggest that we must do much more to strengthen and expand the transport industry. In the past scarcity conditions, and consequent spiralling of prices, have often arisen in different parts of the country more by mal-distribution, rather than low levels of production. In solving our problems the Government is quite rightly attaching great importance to the Transport Industry, in which Ashok Leyland plays a significant part. Everything possible must be done to make it possible for the industry to produce more vehicles, especially buses for mass transportation.

Operating Results

Despite the economic problems in general and particularly the problem of obtaining power, your Company has had a record year from a production, sales and profits point of view. A total of 7295 vehicles were sold during the year, an increase of almost 40% on the previous year's levels. No less than 62% of our vehicle sales were to the defence forces, various branches of the Government and State Transport Undertakings. Sales of engines and spare parts were also at record levels. Despite the record sales, due to higher costs in all areas, and the impact of Corporate Tax, the net profit after taxation represents only 3% of sales (the same level as for 1973).

The current year has started extremely well, but as you know severe power cuts have been imposed in Tamil Nadu much earlier in the year than we have come to expect and this makes it difficult to forecast our results for 1975. However, there is still a huge demand for our excellent products, and you may rest assured that all your employees will do everything humanly possible to ensure that the Company enjoys another successful year.

You will note that in the Annual Report we have considerably increased the amount of statistics and information available to you. I believe that as shareholders you are fully entitled to the maximum amount of information regarding your Company's achievements and progress. I would draw your attention in particular to the graphs which indicate our record level of production and more important, the great improvement in productivity.

A maiden attempt has been made to quantify the impact of inflation on various facets of our activities. Towards this purpose, the normal Profit and Loss Account has been compared with a Profit and Loss Account duly adjusted for the erosion of Purchasing Power of money, calculated according to accepted accounting norms. This is generally known as "Inflation Accounting" and its importance is becoming realised to a marked extent throughout the world.

I believe we are one of the first Companies in India to provide its shareholders with such a comparison. As you will notice, from the statement in the annual report the "inflation adjusted profits" are considerably lower than the historical profits. The current method of computation for corporate taxation does not permit enough funds being available for replacements of assets vitally required. I earnestly appeal to the Government to give due consideration to this aspect and devise suitable future taxation policies which will leave some liquidity in the hands of Companies. In this context, I may also mention that the present practice of determining the borrowing potential with reference to historical asset values is too restrictive. Such changes as Government may find it possible to meet these difficulties will contribute effectively to maintain higher levels of production.

Dividend

Your Directors have decided to recommend payment of a dividend, for the year, of 12% the maximum permissible under the provisions of the Companies Temporary Restriction on Dividends Act, 1974. But for these restrictions, the Directors would have seriously considered payment of a somewhat higher dividend, more commensurate with the record results achieved. These restrictions have, however, proved a blessing by compelling us to do, what is prudent and vital to transfer a significant amount to reserves which is necessary to finance the major expansion programme your Company has undertaken.

Selling Prices

The Government has tangibly shown its confidence in this private sector industry by permitting it to discipline itself, allowing the companies to vary its selling prices as necessary provided profits are kept within certain stipulated parameters. However, whilst whole—heartedly welcoming these moves, my fear is that the scheme under operation, as it is, now does not really encourage and reward the two vital necessities for industries in the country—higher efficiency and production. I would earnestly request the Government to introduce measures which will correct this position, even if on larger considerations the quantum of profits distributed to the shareholders is not increased.

I firmly believe the industry will justify the faith and confidence placed in it, by the Ministry of Industry and Civil Supplies, and your Company will as always exercise self restraint. As you will be aware, we were the first manufacturers to have passed on to our customers the benefits of our greater efficiency and productivity, in the most tangible manner possible, by twice reducing our prices in November 1974 and January 1975.

Expansion

Your company recognises the paramount need for the production of buses and trucks to be increased as quickly as possible, and is therefore proceeding as fast as possible with the implementation of our programme to expand production facilities for both "Comets" and engines. We are confident that any current stagnation in the market is only of a temporary nature; the technical excellence and distinct customer preference for our products will ensure that we will continue to be able to sell all we can produce.

Exports

Your Directors are very happy to report that in the past year very determined and positive action has been taken to increase our levels of our exports. We have obtained orders from countries as far afield as Afghanistan, Jamaica Nigeria, Oman, the Phillipines, Sri Lanka and Trinidad. I must mention here our winning the largest order ever for the Indian automotive Industry—500 complete buses for Zaire. Our target for the fiscal year 1975/76 is to export 20% of our output-no other commercial vehicle manufacturer has ever achieved such a level. I must record the very considerable help we have received in the export field from our collaborators, the British Leyland Motor Corporation, who have a world wide network of agents and distributors. I would also like to express our gratitude to the many Ministries of Government who have always given us very prompt and tangible assistance and every possible encouragement.

Management

You will all, I am sure, share my deep regret at the news that Mr. AEL Collins passed away in England. As the first Managing Director of Ashok Leyland, and later as its Deputy Chairman, his contributions to the Company's progress were invaluable. His pioneering efforts, great vision and zeal played an enormous part in the development of the Transport Industry in India. Mr. Collins always combined the best of Indian culture and western traditions, and endeared himself to one and all by his affable manners and human approach. On your behalf and on behalf of the Management and employees of the Company, we wish to place on record our deep appreciation and gratitude for all that Mr. Collins did for our nation, the automotive industry, in general, and our Company in particular, and wish to convey our heart-felt condolences to his bereaved family.

Messers. W.H. Boardman and J.C. Watson resigned their Directorships from the Board, and I wish to place on record our appreciation of their interest in Ashok Leyland and wish them well in the future. In the casual vacancy created by the resignation of Mr. J. C. Watson, Mr. J. M. Simon. a Director of the British Leyland Motor Corporation, was appointed to your Board.

You will also be happy to know that Mr. N. Subrahmanyam, I.C.S. (Retd.) has consented to join your Board as an additional Director. His term of office expires at this meeting and subject to your agreement, he will be appointed a Director of your Company.

Acknowledgement

I would like to record our gratitude to our collaborators, the British Leyland Motor Corporation, for their continued support and active assistance in the development of the Company.

I would like to take this opportunity to convey our sincere thanks to the Central and State Governments for their encouragement and support, and also to the Financial Institutions and our Bankers for the support they have continued to give us in our day-to-day operations.

You will, I am sure, wish to join me in expressing our great appreciation of the enthusiasm and loyalty of all employees and the able administration of the management team, which have contributed to the gratifying
we have been able to
during the year under

I would be failing
duty if I did not reco
enormous debt to
State Governments wh
much to make our reco
possible by supplying
power to us,

I must not forget to
the gratitude we owe
our Dealers and suppl
materials for their co
support, which I am co
they will continue to gi

Finally, on behalf
Board of Directors and
I would like to conve
sincere thanks to you,
holders, for all the con
that you have reposed
which has been our
in the management
Company.

Note : This does not
to be a record of the proce
the Annual General Meetin

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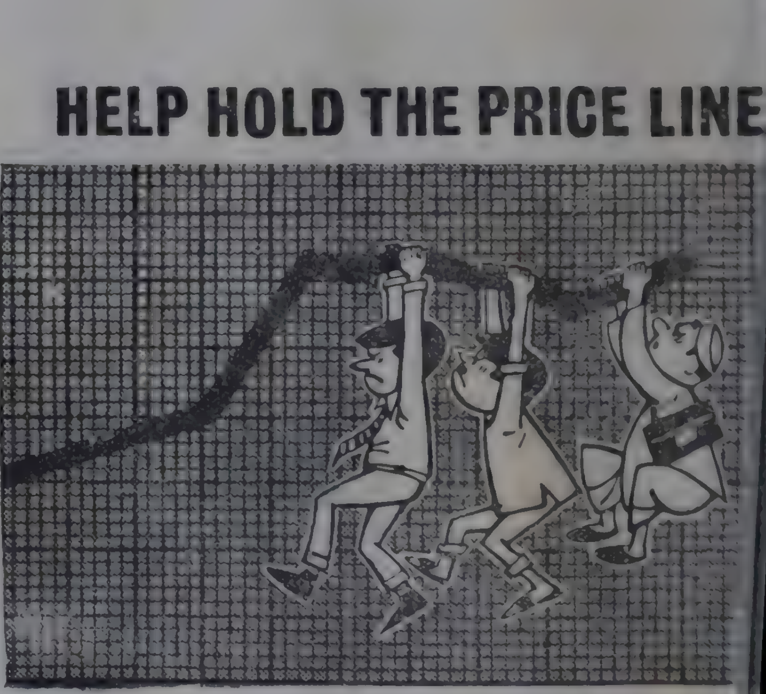

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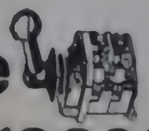
A little  switch?
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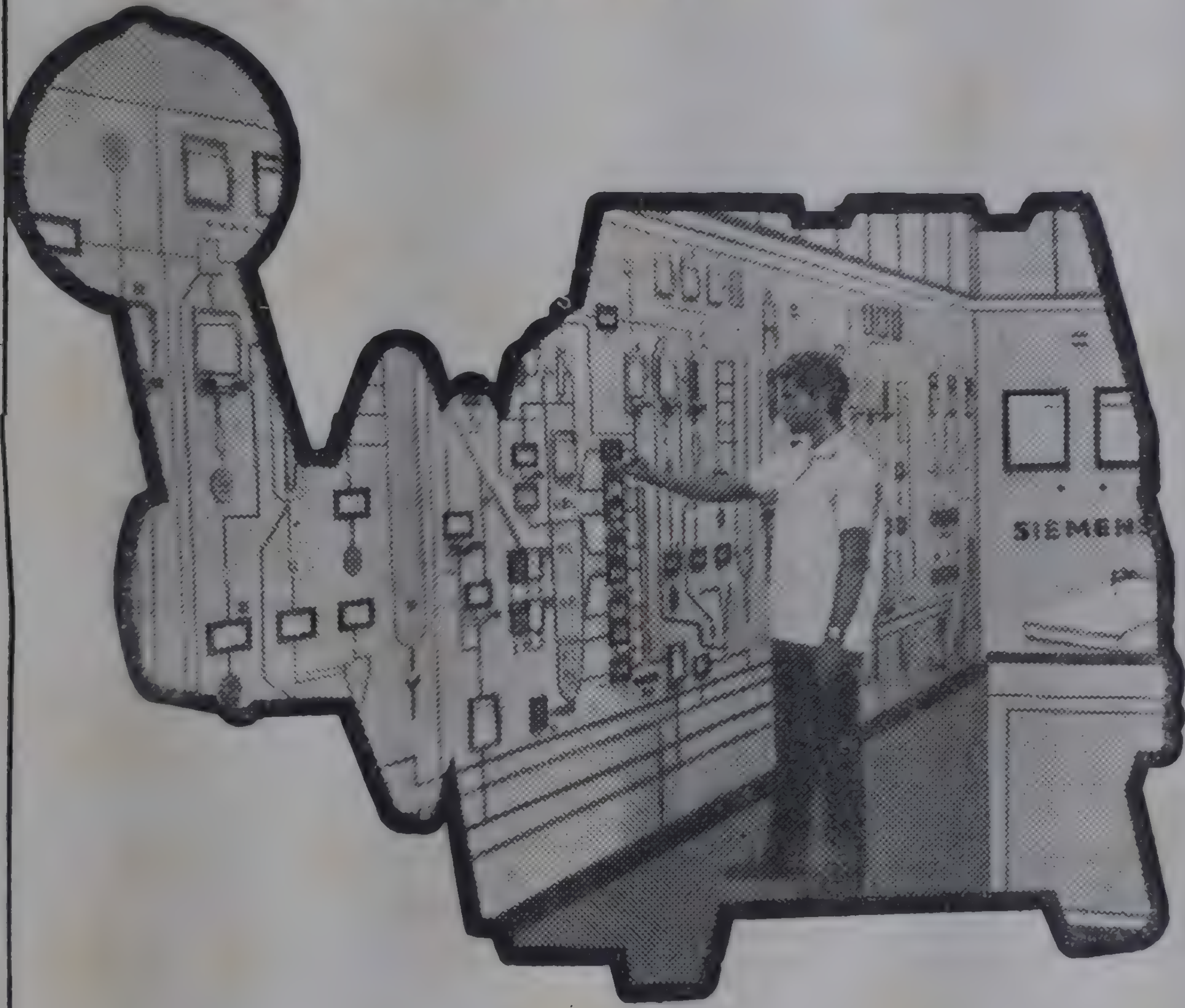

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